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16 REPORTER'S MINUTES OF PUBLIC MEETING

17 BEFORE THE SOCIAL SECURITY FORUM

18 LOS ANGELES, CALIFORNIA

19 TUESDAY, AUGUST 13, 2002

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23 REPORTED BY:

24 R. Jerrod Jones

25 CSR NO. 11750

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1 Reporter's minutes of public meeting before the  
2 Social Security forum, taken at One Gateway Plaza,  
3 Los Angeles, California, on Tuesday, August 13, 2002,  
4 at 10:15 a.m., before R. Jerrod Jones, CSR NO. 11750.

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1 LOS ANGELES, CALIFORNIA; TUESDAY, AUGUST 13, 2002

2 COMMENCING AT 10:15 A.M.

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4 MR. BECERRA: We call this proceeding to

5 order and begin the hearings. Good morning and thank  
6 you for being here. My name is Xavier Becerra. I  
7 represent the area of Los Angeles. I'm joined and  
8 very pleased to be joined by two colleagues from the  
9 California area.

10 First let me introduce a colleague and a  
11 friend for many years and a ranking member in  
12 Congress who served on the Ways and Means Committee  
13 and is the ranking Democrat on the Social Security  
14 subcommittee, our friend, and we've all known him for  
15 quite some time, Mr. Robert Matsui from the  
16 Sacramento area of California.

17 And also we're joined by a name that has  
18 become very familiar to us here in Los Angeles over  
19 the years and a Congressman who has fought for  
20 Los Angeles over and over and over again and someone  
21 who has a great deal of affection in reminding us  
22 that he lives in a town that carries his name,  
23 Congressman Brad Sherman.

24 Very quickly, please remember that there are  
25 translation services available for those who need it

1 for Spanish. And we do have someone available to  
2 provide translation for those who are hearing  
3 impaired.

4 Also you have received some forms to write  
5 questions. I hope you will fill those forms out with  
6 any questions you would like to ask of either the  
7 panelists or the members of Congress. And we will  
8 have individuals, principally from my staff, going  
9 around the room to collect those from you. So if you  
10 have any questions, please, take the time to write  
11 down those questions.

12 I want to begin by thanking the panelists who  
13 are going to be providing us with her their expert  
14 testimony, thanking them all for their services.  
15 They have come from various parts of the nation. We  
16 appreciate that. And it is almost the most  
17 appropriate time to have this hearing because we are  
18 on the eve of the 67th anniversary of Social Security  
19 67 years ago.

20 67 years ago president Franklin Delano  
21 Roosevelt decided it was time to do something about  
22 the insecurity people were facing in the country  
23 after the stock market crash of the late '20s. And  
24 as a result we now have seen the blossoming of the  
25 most successful government program that the United

1 States of America has ever created.  
2 Please remember that this is a program that  
3 has helped more than 11 million seniors leave  
4 poverty. It provides 50 percent of the income for  
5 six out of every ten seniors. And it's the largest  
6 source of retirement income for Americans in this  
7 country. Without it, almost half of all of our  
8 senior population would live in poverty.  
9 You've probably heard that there have been  
10 efforts in Washington to reform, what they call  
11 reform Social Security. The president, President

12 Bush, last year impaneled a commission to study  
13 Social Security and propose options for privatization  
14 of Social Security.

15 And while we have several bills pending in  
16 Congress to deal with the Social Security, we have  
17 not had an opportunity to have a public debate on if  
18 and when Social Security should be changed.

19 Many of us believe this should be  
20 strengthened. But we're interested in finding out  
21 what the proposals are to try to change or so-called  
22 reform Social Security. The public has a right to  
23 know about these various options and what Congress  
24 will do and what the president is proposing. And for  
25 that reason we've taken this forum to Los Angeles to

1 discuss with you the issues of Social Security.

2 With that said, I'd like to now provide my  
3 colleagues with an opportunity to make some opening

4 comments. And I'll begin with the ranking Democrat  
5 own the Social Security Subcommittee on the Ways and  
6 Means Committee, Mr. Robert Matsui.

7 MR. MATSUI: First of all I would like to  
8 thank Xavier Becerra for putting this forum together.  
9 I can't tell you how much I appreciate the  
10 opportunity to meet with all of you, the panelists  
11 and also many of the people from Los Angeles.

12 And I just would like to add that Xavier  
13 Becerra serves on the Ways and Means Committee and he  
14 is also on the Social Security Subcommittee and is  
15 really one of the outstanding members of our  
16 democratic caucus certainly in the entire House of  
17 Representatives. And the fact that he has put this  
18 forum on means a lot to all of us in Washington, D.C.  
19 And we're going to be taking the information we have  
20 from this forum back to D.C. so we can discuss it  
21 further with our colleagues.

22 And, of course, I want to also acknowledge my  
23 colleague, Brad Sherman, who is an outstanding member  
24 from Southern California as well and somebody we look  
25 to for leadership in the House of Representatives as



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1 well.

2 I want to congratulate the panelists who are  
3 here today. It's a wonderful two-panel group. And  
4 we appreciate the fact that they have taken time from  
5 their daily schedule and certainly -- I'm going to be  
6 very brief. I would like to make a couple of  
7 observations.

8 There's no question that we need to reform  
9 Social Security. The demographics of this country  
10 have changed to the point where now there's  
11 approximately three people in the work force for each  
12 retired individual. And we estimate that by the year  
13 2017, 15 years from now, there will be somewhere in  
14 the range of 2.6 to 2.7 people in the work force for  
15 each retired individual. This means that changes  
16 will have to be made in the Social Security program  
17 sometime down the road.

18 But this is not meant to say that Social

19 Security is in dire need of massive overhaul. It  
20 does not mean that Social Security benefits should be  
21 restructured. It just means that we need to make  
22 adjustments to the program.

23 And I think it's critical that we understand  
24 that. Because the president's commission on Social  
25 Security which issued its report last December stated

1 that the program was bankrupt, it was in need of  
2 major overhaul. And all of the experts who have  
3 studied this issue have said that that's not correct.  
4 It needs adjustment.

5 Social Security can continue to go on pretty  
6 much as it has in the past. That is a defined  
7 benefit so that when one retires, he or she will know  
8 exactly what those benefits will be so that you can  
9 make plans as you are in the work force preparing for  
10 your retirement.

11       The president, as you know, would like to  
12 privatize Social Security. He would like to  
13 basically allow those currently in the work force  
14 today to take the payroll taxes and invest it in the  
15 stock market. And basically he has said that it  
16 would not have a negative impact on those that are  
17 currently retired and receiving benefits and those  
18 that are about to retire. That statement is false,  
19 because Social Security is a pay-as-you-go system.

20       Those people that are paying payroll taxes  
21 today, the money goes into a trust fund. And then it  
22 immediately within a short period of time goes out to  
23 pay current benefits to those of you in the audience  
24 and perhaps those of you that are 62 or 65 and over.

25       And if you allow the diversion of some of

1 those payroll tax monies to go elsewhere, that means  
2 that there will be a funding shortfall. And that

3 would mean that instead of having a problem in 2017  
4 when we will have a cash flow problem, that will be  
5 anywhere from 2010 to 2011, and current beneficiaries  
6 in that situation could lose significant benefits if  
7 in fact we move to privatization.

8       Let me just add one other thing too. Social  
9 Security isn't only a program for senior citizens.  
10 In fact, a great portion of the Social Security  
11 benefits is for those currently in the work force.  
12 That is because Social Security benefits are provided  
13 to either the disabled, those who are permanently  
14 disabled currently in the work force and those who  
15 are the bread winner should die and survivor's  
16 benefits are available to Social Security recipients  
17 that are shouldered in the surviving spouse.

18       Believe it or not, approximately one third,  
19 33 percent, of all Social Security benefits are paid  
20 to surviving spouses and their minor children or if a  
21 person becomes permanently disabled to that family.  
22 In fact, we have calculated, this is actually the  
23 number, that somebody who is 27 years old and has  
24 minor children of the value of the survivor's  
25 benefits, it's like a term life insurance policy

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1 rendered \$50,000 to that family. And if one is  
2 disabled, the value of that disability insurance is  
3 worth \$400,000.

4 Much of what happened at the World Trade  
5 Center on September 11th, what happened there is that  
6 many of those families that lost husbands and wives  
7 and fathers in the World Trade Center now are  
8 receiving either survivor's benefits or disability  
9 benefits. So this program is for all Americans.  
10 Every Americans in this country is affected by this.  
11 I want to thank Mr. Becerra for having this meeting  
12 to be able to talk about this issue and get the word  
13 out about what the differences are between the two  
14 parties and what our challenges are. Thank you.

15 MR. BECERRA: Thank you, Congressman Matsui.  
16 Let me now turn to another advocate for Los Angeles  
17 and our state in Washington, D.C., a good friend,

18 Congressman Brad Sherman.

19 MR. SHERMAN: Thank you, Xavier. I'm Brad  
20 Sherman from America's best-named city, Sherman Oaks.  
21 I want to thank Xavier Becerra for putting together  
22 this hearing. I can't think of anything more  
23 important that we could do today. And I want to  
24 thank Robert Matsui for coming down to the warmer  
25 part of the state to share his wisdom based on his

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1 senior position on the Ways and Means Committee.  
2 We're here in the MTA meeting room, so I  
3 ought to remark that finding any sense in privatizing  
4 Social Security is even more difficult than finding a  
5 parking space at the North Hollywood Red Line  
6 Station.

7 As we meet here today in Los Angeles, there  
8 are wacos in Waco who want to convince America to  
9 trade a guarantee for a gamble because they are not

10 focused on the security of the average American  
11 family, but are instead trying to secure even greater  
12 tax cuts for the wealthiest one half of one percent  
13 of Americans and for corporations, particularly those  
14 who exploit loopholes like Enron.

15        Their dream is not the dream of a secure  
16 retirement. But their dream is the repeal of the  
17 corporate income tax. For them Social Security is  
18 insecurity, because there is the possibility that  
19 some additional funds will be needed to be put into  
20 the system. And in order to do that, we might  
21 actually have to retain much of the tax law that we  
22 have today.

23        The present system provides a guaranteed  
24 benefit that is secure, that you can count on. Now,  
25 how is it that they are going to reduce the amount of

1 money that they put into the Social Security system

2 while telling everyone that they are not cutting back  
3 on that benefit? The answer is private accounts.  
4 Sure they will have to admit that those who  
5 choose to take no risks, those who if allowed to  
6 would want to see their money invested in U.S.  
7 government bonds would get less than Franklin Delano  
8 Roosevelt's formula would provide. But they will say  
9 that's not their fault. That's the fault of the  
10 beneficiary because they didn't pick the right  
11 stocks.

12 Well, so few of us have Martha Stewart to  
13 tell us when to get in and out of the market. So the  
14 opportunity to shift from a guarantee to a gamble  
15 does not make Americans more secure it simply is  
16 there to secure the dream of the repeal of the  
17 corporate income tax.

18 MR. BECERRA: Thank you to Mr. Sherman. We  
19 would like to conduct this forum as efficiently as  
20 possible. And I would ask that the audience try to  
21 respect the presentations of the panelists. And if I  
22 could please ask that we withhold any applause or any  
23 form of expression, so that way we can get right to  
24 the meat of what we're trying to discuss here. We



25 appreciate your support on some of the items that are

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1 discussed. But it really helps us if we can go right  
2 to the testimony.

3 We also hope, for those in the audience who  
4 are interested, if we have some time at the end of  
5 the presentation to have questions answered by  
6 members of Congress, we will give the audience the  
7 opportunity to ask those questions and perhaps make  
8 some comments. We will have microphone that will be  
9 available. But that all depends on how quickly we  
10 are able to proceed through the panels. We have two  
11 panelists before us or two or three panelists from  
12 the first panel. And then we'll have a second panel.

13 I would like to begin about with our first  
14 panel. And I would like to begin by first inviting  
15 Marvin Schachter who is a member of the California  
16 Commission on Aging and president of the Advisory

17 Council of the Los Angeles Area Agency on Aging and  
18 chairs the Senior Advocacy Counsel to give us his  
19 testimony. He will have five minutes.

20 MR. SCHACHTER: I thank the members of  
21 Congress who are attending. I think the turnout of  
22 people with concerns with Social Security today  
23 demonstrates the fact that we understand we're  
24 talking about something of crucial importance. I  
25 hasten to add that my concern and my testimony, I

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1 want to emphasize that this doesn't represent any  
2 personal -- it will not affect my personal welfare.  
3 Having reached the sunset side of my eighth  
4 decade, my Social Security is not immediately  
5 threatened. And I only mentioned my age because one  
6 of the nasty tactics of some so-called Social  
7 Security reformers is to attack their opponents as  
8 greedy grandmas, concerned only with their own

9 selfish interests.

10 Those of you who read this past Sunday's  
11 Los Angeles Times saw an especially cruel example of  
12 that kind of propaganda. And in the editorial  
13 cartoon by Ramirez showing a caricatured old man  
14 picking up a Medicare prescription from the  
15 pharmacist and saying to a cute baby in a buggy,  
16 "Well, don't just sit there, pay the man."

17 I want to put it bluntly. We who are seniors  
18 are concerned about the welfare and well being of our  
19 children and grandchildren. My two daughters are in  
20 their 40s. My six-year-old grandson and my  
21 one-year-old granddaughter matter to me. And I would  
22 never, ever trade their interests for mine or my  
23 generation. And I have never met a grandparent who  
24 thinks differently.

25 What I would sacrifice is the Bush tax cut

1 that will enable one percent of America's wealthiest  
2 to save \$342,000 per person. And I say to  
3 Cartoonist Ramirez, that is where we ought to send  
4 the bill for prescription benefits.

5       The reasons I am testifying at this forum is  
6 because the proposals for personal investment  
7 accounts with money subtracted for payments into the  
8 Social Security fund threaten the interests of my  
9 children and grandchildren. When President Bush  
10 appointed a 16-member commission to strengthen  
11 Social Security, it was technically bipartisan, but  
12 it was decidedly nonpartisan. He stacked it and  
13 packed it with individuals committed to his plan for  
14 privatization through individual investment accounts.

15       As The New York Times pointed out in an  
16 editorial last year, "Even of the Democrats, who one  
17 might expect to be most skeptical of Mr. Bush's plan,  
18 did work for investment companies which individual  
19 accounts present a huge windfall," said the New York  
20 Times. And another sits on the board of a think tank  
21 that advocates privatization. And just to be sure,  
22 the president then instructed the commission to come  
23 up with a plan that concluded, quote, individually

24 controlled voluntary personal account, closed quote.

25 No freedom of action for this commission,

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1 even if it were a hand-picked commission. No  
2 instruction to evaluate whether privatization is the  
3 best solution or if there were effective, less costly  
4 steps that could be taken in order to actually  
5 strengthen Social Security.

6 The Older Californians Act designates the  
7 California Commission on Aging as the principal  
8 advocacy body for this state's older persons. In  
9 September of last year the commission unanimously  
10 endorsed a joint resolution by both houses of the  
11 state legislature opposing the privatization of  
12 Social Security. That resolution was passed by both  
13 houses, signed by the governor on December 17th of  
14 last year.

15 There are 4,209,000 Californians who receive

16 Social Security benefits. 2,700,000 are retired  
17 workers. Over 400,000 are disabled. And over a  
18 million are family members who depended on the  
19 retirement of disabled workers but whose bread  
20 winners have passed on.

21 In taking the action, our commission  
22 particularly focused on the vulnerability of women,  
23 who all of us know make up the largest portion of the  
24 senior population. Many older women depend on Social  
25 Security as a major part of their income. For merely

1 half of women over 65, Social Security represents 90  
2 percent of their income.

3 Women who raise families or are primary  
4 caregivers are more often out of the labor market  
5 reducing their contribution to Social Security and  
6 the ability to add to any potential individual  
7 investment account which would accumulate funds

8 supposedly to augment or reduce guaranteed Social  
9 Security payments. And because women live longer  
10 than men, they would face a greater danger if the  
11 Bush proposals were ever accepted of outliving any  
12 personal investment account.

13 Typical of annuity, the fact that such  
14 accounts would have no cost-of-living adjustment  
15 provision would further increase the negative  
16 potentialities for low-income workers, women as well  
17 as men. It would have been logical to expect that  
18 the collapse of the stock market would have dispelled  
19 the proposals to substitute the individual investment  
20 accounts for the guaranteed income of the Social  
21 Security system. Unfortunately this has not  
22 happened.

23 The Wall Street Journal reported on July  
24 23rd, just a couple of weeks ago, that if as little  
25 as two percent of Social Security funds had been in

1 invested in private accounts, workers would have  
2 suffered a loss -- this is before the last collapse  
3 of the market, the last decline -- would have  
4 suffered a loss of \$31 billion. But nevertheless,  
5 said the Wall Street Journal, quote, Mr. Bush remains  
6 committed to the initiative, closed quote.

7       Republican congressional strategists were  
8 politicians behind the president who tend to  
9 deemphasize this issue, according to the Journal.  
10 They read the Wall Street Journal, NBC poll which  
11 shows that 55 percent of Americans are opposed to  
12 privatization. And 41 percent support it.

13       But Republican Senator Charles Grassley  
14 clearly shows the danger that exists when he says  
15 that the issue of private investment accounts will be  
16 taken up if his party wins control of both houses of  
17 Congress. Wall Street firms will continue to  
18 campaign for individual investment accounts.

19       Millions of new investments will create  
20 millions of dollars in commissions, that would help  
21 eat up the value of small accounts. And Wall Street  
22 sponsors and organizers who are subsidized by Wall



23 Street who are active in propaganda for  
24 privatization. Note the, quote, alliance for workers  
25 retirement security, closed quote. Founded by the

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1 National Association of Manufacturers, U.S. Chamber  
2 of Commerce.

3       The Security Industry Association is  
4 generously supported by Payne Webber by the drug  
5 monopoly, Pfizer, and by Aetna Insurance among  
6 others, or by another organization with a pretty  
7 title, the Coalition for American Financial Security  
8 whose support includes Bell and Financial and the  
9 State Street Corporation. And incidentally with a  
10 post for Secretary O'Neil's launching of President  
11 Bush's campaign for substituting personal investment  
12 accounts as part of Social Security.

13       We must remain vigilant. And I thank the  
14 members of Congress who have organized this board.

15 The coming generation, my children and grandchildren  
16 among them, will be grateful for their efforts to  
17 protect the most successful anti-poverty program this  
18 nation has ever had. Thank you.

19 MR. BECERRA: Thank you, Mr. Marvin  
20 Schachter. Let me now move on to our second panelist  
21 who will testify as well, Dr. Fernando Torres-Gil,  
22 who is a member of the California Commission on Aging  
23 as well and president -- I'm sorry. He's associate  
24 dean at the School of Public Policy and Social  
25 Research at UCLA.

1 He took a sabbatical from his position at  
2 UCLA under the previous administration, the Clinton  
3 Administration, where as he served as the assistant  
4 secretary for aging for the Department of Health and  
5 Human Services. And he's a long-time advocate and  
6 one of the premier experts on the issues of aging.

7 Dr. Torres-Gil, thank you for being here.

8 MR. TORRES-GIL: Thank you very much,  
9 Congressman Becerra, both my Congressman and a  
10 friend. And thank you for holding this important  
11 hearing. And let me commend Congressman Matsui for  
12 coming down here. I remember you well from my days  
13 as staff director of the House Select Committee under  
14 Congressman Roy Ball, one our legendary leaders from  
15 this area. And to Congressman Sherman, welcome to  
16 aging and this issue. And we thank you for  
17 representing the San Fernando Valley. And we hope it  
18 remains part of Los Angeles.

19 Let me also thank my good colleagues to both  
20 sides of me and to the audience for being here and  
21 demonstrating why your timing is both appropriate and  
22 absolutely imperative. And in the three or four  
23 minutes I have left, I'd like to set a broader  
24 context. And you'll hear more of the issues specific  
25 to Social Security from our excellent panelists that

1 will follow me.

2       Certainly we all have a stake in Social  
3 Security. When my father passed away, survivor's  
4 benefits kept my nine brothers and sisters  
5 economically healthy, allowed us to go to college and  
6 certainly helped my mother to get through those  
7 difficult times.

8       As someone with a disability, I look to  
9 disability insurance as my safety net. And as  
10 someone who hopes to retire at 62 or 66, I know my  
11 statement guarantees that I'll get a certain amount  
12 that will be very important for my retirement income.  
13 So Social Security is relevant to all of us. I would  
14 provide a broader context and label this issue as  
15 more than just Social Security.

16       It's really about the aging of this nation,  
17 the aging of society, and the demographic imperative  
18 facing 75 million Baby Boomers who will be our next  
19 generation of older persons. And we'll hear from our  
20 senior citizen friends and colleagues. But as we  
21 mentioned, it's also about all ages. And if I can

22 just speak to Baby Boomers, my generation born  
23 between 1946 and 1964, we are about to face our  
24 collective midlife crises.

25 We now realize, many of us, that we are not

1 prepared for retirement. Certainly the stock market  
2 reality and the decline of 401K plans makes it clear  
3 that many of us do not have sufficient savings,  
4 sufficient assets. We do not have a pension plan.  
5 In fact, 18 million of those 76 million Baby Boomers  
6 are without a college education, do not have equity  
7 in their home and do not have even a defined  
8 contribution or defined benefit plan, thus they are  
9 clearly at risk.

10 Social Security is their safety net in their  
11 future retirement. And thus it will be even more  
12 crucial for them. Certainly we'll hear about the  
13 success of Social Security. It is perhaps our most

14 successful social policy in the last century and must  
15 be retained in this century. It is undergoing  
16 strain. And I would agree with Congressman Matsui  
17 that it needs reforms. It does not need structural  
18 change. And there is much that we could do without  
19 changing the basic tenants of the social enduring  
20 principals.

21 I'd like to also speak towards the groups  
22 that are promoting privatization in individual  
23 retirement accounts. I have spoken and argued at  
24 KATO and Heritage forums and conferences. So I've  
25 heard first hand why they feel individual retirement

1 accounts and privatization are good alternatives to  
2 the current system.

3 And without belaboring the point, their  
4 arguments have many weaknesses. They believe of the  
5 infallibility of market. They believe that

6 government can do no good. They are ideologically  
7 against the consensus of social insurance. They  
8 would like to couple the protections of Social  
9 Security with its COLA features, its connection to  
10 disability insurance, SSI and Medicaid. And in fact  
11 their arguments play off the young and the old and  
12 play off minorities with older whites. And the least  
13 of which they have no answer for the trillion dollar  
14 plus transition it would cost to move towards a  
15 privatized system.

16 But I do want to say this, and this is our  
17 challenge, KATO and Heritage and those who are  
18 pushing privatization are making arguments that have  
19 potentially strong appeal to young minorities, blacks  
20 and Latinos in particular, when they argue about a  
21 higher rate of return. "It's your money. Don't let  
22 government control your FICA taxes."

23 Certainly it is our responsibility, as we are  
24 doing at this hearing, to educate and inform all  
25 workers, all young persons and especially Hispanics

1 and blacks and minorities who are young and who will  
2 be the future work force why privatization is not a  
3 good idea.

4       And I might also add that if there is any  
5 silver lining to the conservative appeal to  
6 privatization, it is also pointing out the importance  
7 of broader financial education, that not only must we  
8 protect Social Security, but we must promote savings,  
9 financial literacy and also recognize that all of us  
10 have an individual responsibility to save and to plan  
11 for a longer life span while we fight to preserve  
12 Social Security.

13       Later if there's time, I'll be happy to  
14 provide more details about the state of Latinos and  
15 African Americans and women have in Social Security.  
16 But I would just like to present to you that it is  
17 more than just protecting Social Security. It's  
18 planning for the future aging of our population and  
19 ensuring that we can all benefit from a healthy  
20 measure of retirement security. Thank you.



21 MR. BECERRA: Thank you, Mr. Torres-Gil.  
22 Thank you for that. As I said, please, if we could  
23 move forward without any public displays, that would  
24 be more than appreciated by the panel of speakers.  
25 We'd like to now turn to our guest who is in

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1 from I believe probably the Washington area. Someone  
2 who many of us in Congress got to know very well  
3 because he was the director of policy, economic  
4 policy for President Clinton. He is the former  
5 national economic advisor to President Clinton and  
6 the director of his national economic counsel. He is  
7 also an economic columnist for Bloomberg News.  
8 You've probably see Mr. Sperling periodically  
9 on television on some of those morning talk shows.  
10 He's often asked to make comments about economic  
11 policy and economic expectations. Gene Sperling,  
12 thank you very much for being with us.

13 MR. SPERLING: Thank you. Fortunately for  
14 the nation, I'm not in charge of taking cab rides  
15 from Santa Monica to this building, because that  
16 would certainly have slowed down the efficiency and  
17 productivity of our country dramatically. But I'm  
18 happy to have made it an hour and 35 minutes after we  
19 started.

20 MR. BECERRA: That's not to bad. You are par  
21 for the course for Los Angeles.

22 MR. SPERLING: Anyway, I had a strong working  
23 relationship with all of the three members here,  
24 Congressman Matsui as he led the Democratic effort in  
25 Social Security and Congressman Becerra recently, but

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1 also when he was head of the Hispanic caucus. We  
2 worked very closely. And Congressman Sherman and I  
3 were together even before he was a Congressman in the  
4 '92 campaign. So thank you for having me.

5 I want to make a comment about what our  
6 larger context as a nation is, what the larger  
7 challenge is. The essential dilemma is one hears  
8 often, which is we have a pay-as-you-go system in  
9 Social Security. It's essentially a generational  
10 compact. One generation works and pays payroll taxes  
11 to afford to have a decent and dignified retirement  
12 for the generation above us.

13 This could have been gone on for a long time  
14 except for one thing. Because of the Baby Boom and  
15 because of the demographic shift, instead of having  
16 three and a half people supporting each worker, which  
17 is going to change to just two to one. And this  
18 basically leads to a fundamental challenge of which  
19 for all of the complexities you cannot avoid.

20 If you have fewer workers supporting the same  
21 amount of retirees, then it's two to one instead of  
22 three and a half to one, then you either have to be  
23 less generous in your benefits to Social Security, or  
24 you have to ask the next generation to pay higher  
25 taxes later on to afford a dignified retirement that

1 doesn't include less taxes, or we as a nation have to  
2 save more. We have to save more now so that we can  
3 better be ready and not have such difficult choices.

4       And saving more does two things. One from a  
5 budget point of view we are putting our country, our  
6 budget in a better position to meet this retirement  
7 challenge. We're paying down our debt. We're saving  
8 more. That's the budget side of savings. The  
9 economic side of savings is that if we as a country  
10 save more, we will become more productive. And even  
11 though there's only two workers to support every one  
12 retiree 50 years out, at least they will be more  
13 productive because of the higher savings that we have  
14 done now.

15       This is consistent with the generational  
16 compact in the United States that every family knows  
17 which is that families save so that their children  
18 can have a better life. We are reversing that now.  
19 We are saving less and putting the burden on our

20 children to pay for our own retirement. That has  
21 never been the American way.  
22 Now, the current administration is diverting  
23 our attention from this fundamental economic issue by  
24 making it seem that the issue is basically  
25 privatizing, having partially privatized individual

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1 accounts.

2 Why is this a diversion? One is we're going  
3 to get higher returns. Three basic reasons this is a  
4 diversion. One, higher returns do not adjust for the  
5 benefit Social Security has for survivors of  
6 disabilities. You are not counting the full return.  
7 Secondly, it doesn't count for risk.

8 Now we can probably really solve Social  
9 Security if we put all of the money in speculative  
10 funds. In Brazil and Argentina right now, you have a  
11 high 13 or 14 percent returns but at very high risk.

12 So you have to adjust for risk as everyone does in  
13 their private lives. But most importantly, it  
14 doesn't increase new savings. Where are the new  
15 savings? If we as a country are taking 12.4 percent  
16 of our payroll tax and using that now, and someone  
17 says, "We will take two percent and we'll divert it  
18 to an individual account," it's the same amount of  
19 money. You are just shifting pots.

20 Let me give you an example. It would be like  
21 a family where there was a lot of money in a safe  
22 401K account for the parents. And the kid said,  
23 "I've got a great idea. I'm going to divert 20  
24 percent of that money into my IRA. I'm going to take  
25 20 percent of my parents' 401K out of that safe

1 account. And I'm going to put it into an IRA. And  
2 I'm going to invest more in stocks. I'm going to get  
3 higher returns."

4 Well, clearly the family is no better off.  
5 They have they haven't saved any more. All they have  
6 done was take some money that was safely invested for  
7 their parents and diverted part of it so that their  
8 younger children can have a higher-risk account. How  
9 does that help our country save any more? You still  
10 have to make up the 20 percent for the retirees. And  
11 that is the big slight of hand.

12 And my time is up. But what I want to just  
13 say and would like to go on further is you may think  
14 that we could not have saved enough for Social  
15 Security, that it is too big of a challenge. But the  
16 amount of the GDP per year that we had to save was  
17 less than one percent. Less than one percent of our  
18 GDP we could have had enough to solve Social  
19 Security.

20 The recent tax cut was more than twice as  
21 large. We just passed a tax cut that if extended has  
22 spent more than twice what we needed in the  
23 additional savings we as a nation could have had to  
24 solve Social Security. Thank you.

25 MR. BECERRA: Thank you, Mr. Sperling. And

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1 let us now turn some to some questions at that my  
2 colleagues and I would like to ask. I would like to  
3 defer at this time first to allow the ranking member  
4 of the Social Security Subcommittee, Mr. Matsui, to  
5 begin his questions.

6 MR. MATSUI: I'd like to thank the chairman  
7 for giving me this opportunity. I'm going to ask  
8 three questions. And I'll start with Mr. Schachter  
9 if I may. You mentioned Wall Street and the fact  
10 that Wall Street is very interested. Secretary  
11 O'Neil last year, I believe it was in the spring the  
12 year 2001 was up at Wall Street. And he asked that  
13 the financial community up in Wall Street put  
14 \$20 million into a fund so that they can begin  
15 lobbying for privatization.

16 And just today, for those of you who haven't  
17 been following this, Secretary O'Neil did say the  
18 president will take up Social Security next year. So



19 this issue is alive. It's there. And we're going to  
20 have to really address it.

21 Could you explain why Secretary O'Neil might  
22 have gone to Wall Street to talk about the fact that  
23 they should come up with \$20 million to lobby this  
24 issue of privatization and what that means?

25 MR. SCHACHTER: Well, I think Secretary

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1 O'Neil feels that that's a small investment with  
2 great potential return for Wall Street. Think for a  
3 moment. If two percent of the Social Security  
4 income, which is really 15 percent possibly of what  
5 Social Security gets, two percent of the taxes that  
6 are paid into Social Security, were then diverted  
7 into individual private accounts with individual  
8 brokers handling those accounts with the commissions  
9 that would come to Wall Street firms, and then  
10 vulnerability of low-income or moderate-income people

11 dealing with the stock market, just look at what has  
12 happened during the last few months.

13       One can even argue that even those great  
14 pension funds, California, New York, Florida, etc.,  
15 where the investments are done collectively, not a  
16 small investor. And incidentally, this  
17 administration does not support that proposal.

18 O'Neil in his appeal to Wall Street does not support  
19 that kind of approach. Even there look at the  
20 billions of funds lost in those investments and by  
21 skilled operators by skilled experts in the stock  
22 market. So it's a God send to them.

23       I want to emphasize something else. Some  
24 time ago representing AARP, I participated in the  
25 debate on the UCLA campus on Social Security opposing

1 two young men financed by some organization with a  
2 very legitimate sounding name but who I found were

3 financed by Wall Street firms in a so-called  
4 educational foundation to campaign on campuses on the  
5 United States talking about how this generation was  
6 robbing the young generation of their futures.  
7 Again, this was based on a very sensible investment  
8 if you are a Wall Street financial institution. And  
9 that's part of the reason.

10 MR. MATSUI: Thank you very much. I might  
11 also point out to add to what you said, which is very  
12 accurate, is the fact that in England, they had come  
13 up with a partial privatization system. And now it's  
14 created chaos.

15 There's a lot of lawsuits and bankruptcies.  
16 And the insurance companies who would back them, now  
17 they are all indeed in financial trouble. So this is  
18 an issue that we do have a history of privatization  
19 in retirement benefits. And we've seen the example  
20 in England how it has done major damage and how it  
21 was mainly pushed by the financial interests.

22 I'd like to ask Dr. Torres-Gil a question.  
23 You talked about the minority. Robert Johnson, who  
24 is on the Social Security panel selected by the  
25 president who favored privatization, said that

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1 privatization is good for minorities for those who  
2 have not accumulated assets over their lifetime.  
3 Because now when they pass away, they it can allow  
4 their heirs or children to inherit these assess.

5 And obviously I question that, because  
6 certainly in terms of the fact you have to amortize  
7 the accounts once the person retires. And secondly,  
8 you don't have survivors and disability benefits.  
9 Could you comment on that issue in terms of the fact  
10 that Mr. Johnson has said that this helps minorities  
11 and people that are low income to some extent.

12 MR. TORRES-GIL: Certainly. As I mentioned,  
13 there are great challenges to counter that argument.  
14 Because on the surface, I have to be honest to you  
15 when KATO and Heritage and others releases their  
16 studies and argue that minorities have a better stake  
17 in individual retirement accounts and Social

18 Security. What they are looking at is a very narrow  
19 prism.

20 What is your rate of return if you are 21 or  
21 25 and you are going to live to be 80 years of age or  
22 longer? And they will argue that over the lifetime  
23 of investment, the stock market will get back more  
24 than you would get back in terms of your payroll  
25 taxes.

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1 What they don't point out, of course, is all  
2 of the problems mentioned by Gene and Mark here. But  
3 they also conveniently ignore that integrated safety  
4 net that is so crucial for all individuals. And they  
5 conveniently ignore that for minorities, especially  
6 blacks and Hispanics, they depend more on Social  
7 Security for a larger than retirement income than  
8 whites.

9 So they completely ignore what happens when

10 you get older which is a more vulnerable low-income  
11 population. But for young, black and Latino workers  
12 who are facing this regressive payroll tax in their  
13 monthly paycheck, and it's a large proportion of  
14 their deduction, they are going to react vicariously  
15 or just superficially to "Where is my money going?  
16 And if I don't think Social Security will be here 30,  
17 40, 50, 60 years from now, maybe I shouldn't stay  
18 with this kind of program."

19       So our goal and certainly my mission as an  
20 advocate is to make it clear to my young Latino and  
21 black brothers and sisters is that you are young now.  
22 Your parents and grandparents need it. Someday  
23 you'll need it. And don't look at the immediate,  
24 narrow agenda that some of the these conservative  
25 groups are portraying.

1       I would say this, I don't think those of us

2 who consider ourselves progressive have done an  
3 effective job to counter what the conservatives are  
4 doing in their multi-million-dollar campaigns to  
5 reach out to young workers and young minority  
6 workers, which is why this hearing is so crucial, but  
7 we will need to have the AFL-CIO or AARP involved in  
8 this campaign.

9 I'd like to say that the final point is kind  
10 of ironic. You mentioned that the number of  
11 countries that have experimented with privatization  
12 are finding serious problems. And it's ironic that  
13 the conservatives all look to Chile as their example  
14 and forget to mention that it was their fascist  
15 dictatorship that forced this privatized model on the  
16 Chilean population that is now having serious  
17 problems.

18 Sadly Mexico two or three years ago had  
19 shifted their social insurance program to a  
20 privatized model. They are going to have serious  
21 problems. But all of the more reasons why we need to  
22 have this educational effort. Thank you.

23 MR. BECERRA: Thank you.

24 MR. MATSUI: Gene, I want to thank all three

25 of you but you, Gene, in particular from coming from

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1 Washington, D.C. You were talking about the economic  
2 impact. When President Clinton was president and you  
3 were the chairman of the NEC, the National Economic  
4 Council, obviously you made an effort to balance the  
5 budget. In fact, you had left the country when you  
6 left office with a \$5.7 trillion budget surplus. And  
7 today we have deficit after 20 months of this new  
8 administration.

9 One of the issues that you raised was the  
10 potential raid on the Social Security surplus. As  
11 you know, approximately 40 to 50 percent I believe of  
12 that \$5.7 trillion was in the Social Security  
13 surplus. I could be off on my percentages, 50, 60,  
14 percent.

15 What has happened to that now and what are  
16 the consequences of that in terms of the savings that



17 Americans must have to prepare for the next  
18 generation in terms of both Medicare and Social  
19 Security benefits and prescription drugs?  
20 MR. SPERLING: This goes directly to the  
21 point we were making on the savings. One thing that  
22 Senator Moynahan used to always lecture all of us  
23 about was that when in 1983 the Greenspan Commission  
24 came through with their plan to raise taxes that  
25 President Reagan signed, the idea was that it would

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1 create Social Security surpluses.  
2 And the idea was we would save those  
3 surpluses. Those would be walled off and would go to  
4 pay down the debt or reduce the deficit so that we  
5 were increasing savings as a country. What people  
6 pointed out over the years was that between 1983 and  
7 the '90s, we were not actually saving that money. We  
8 were tending to use it for our government activities

9 to make our deficit look smaller.

10        So it was an enormous accomplishment thanks  
11 to the votes that you made and others in the '93  
12 Deficit Reduction Act and the 1997 Balanced Budget  
13 Agreement. We were able to get to the point where  
14 all of the money that was extra Social Security  
15 surplus was not being used for any other government  
16 issue, not for a tax cut, not for spending, nothing  
17 but paying down the debt. In doing that, we  
18 essentially reached the moment of purity. Exactly  
19 what it was designed to do.

20        Having done that, you would have thought  
21 having finally reached that point, you would have  
22 thought that we would have walled off that that  
23 \$2 1/2 trillion and had a bipartisan commitment.  
24 What happened essentially was the administration,  
25 against the advice of so many of us, went forward

1 with an enormous tax cut that does not take into  
2 account the costs, as you know, of future changes  
3 that will have to be made in the currently in the  
4 tax.

5 And now the majority of that, over  
6 \$2 trillion that was going to be paid to saving more,  
7 paying down the debt, we're now back to looking at  
8 \$2 trillion of that Social Security surplus money not  
9 being used as it was intended to save for Social  
10 Security solution or pay down the debt, but it's  
11 basically just going to fund a tax cut or whatever  
12 other government programs.

13 I think we've gone from a historic  
14 opportunity to have taken that surplus. We would  
15 have had to raise taxes. We've had to cut benefits.  
16 We could have simply used that surplus as out pool of  
17 savings to start saving Social Security. And instead  
18 we have now dissipated that.

19 If I can just make one comment on the  
20 question you asked Dr. Fernando Torres-Gil, which is  
21 that you make Social Security inheritable right now.  
22 You right now, Congressmen -- you right now,  
23 Congressmen, could say that you believe that whatever

24 is owed a person on Social Security should go to  
25 their heirs right now. You don't have to do private

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1 accounts. You can do that.

2 But here is the economics. It would cost  
3 money, because that money that is now used to provide  
4 everybody the benefit would be taken or drained away  
5 to give to heirs. So if that's a national priority,  
6 we don't have to go to individual accounts to do it.  
7 We can do it in Social Security. But the reality is  
8 it will make the rest of the Social Security system  
9 go insolvent. And we are going to have to cut back  
10 somewhere else. And that's the real economics of the  
11 inheritance issue.

12 MR. BECERRA: Thank you, Mr. Sperling. Let  
13 me call Mr. Sherman for questioning.

14 MR. SHERMAN: Thank you. Mr. Sperling, it's  
15 such a shame to see you here when you should be in

16 the White House guiding our economic policy, which  
17 would of course make my -- if only that was the case,  
18 my IRA would be in much better shape. And Social  
19 Security would be in much better shape.

20       You do illustrate the fact that what we need  
21 is a bit more savings in order to make Social  
22 Security absolutely secure. The question that so  
23 many of my constituents ask is where is this  
24 tremendous power pushing privatization? Where is it  
25 coming from?

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1       And I think your comments illustrate that  
2 there's a huge powerful force in Washington opposed  
3 to more savings, because what savings means is fiscal  
4 responsibility. It means imposing a corporate income  
5 tax and filling the loopholes in that tax instead of  
6 the reverse, which is abolishing the corporate income  
7 tax.

8        So your discussion of savings and the need  
9 for it under the present system illustrates some of  
10 the push and power that comes for privatizing Social  
11 Security, which means less savings, which means we  
12 don't need tax revenue. We just need to convince  
13 people that when they retire and are in poverty, it's  
14 because they picked the wrong stocks.

15        Mr. Schachter, I think you pointed out the  
16 other half of this equation as to where this push for  
17 Social Security privatization comes, and that is in  
18 every other area of savings where we have savings, we  
19 have investments, where we have an investment  
20 industry, whether it's the banks or the stockbrokers  
21 or whatever.

22        And just for the record here, out of every  
23 trillion dollars in the Social Security trust fund,  
24 and anyone in the panel can answer this because I  
25 think it's an obvious answer, out of every trillion

1 dollars, how much is made by underwriting fees,

2 M and A fees and brokerage fees in order to

3 facilitate the investment of that trillion dollars?

4 I'll jump ahead. The answer is zero, is it not?

5 MR. SPERLING: That's exactly right. There

6 are different arguments on Social Security. But they

7 are for different arguments. But one of the things

8 which you are referring to is the transaction cost.

9 And that sounds like -- those are the kinds

10 of words you learned in your Economics 101 that you

11 wanted to forget. But simply put, if somebody

12 is taking -- if you have \$100,000 and somebody is

13 just taking one percent of that a year, it seems

14 pretty easy. It seems like not very much.

15 But over a period of 30 or 40 years, you

16 would be disappointed to learn that depending on how

17 high that transaction fee is, that as much as 20 or

18 25 percent of your income could have been transferred

19 to the people selling the stocks and managing the

20 accounts.

21 So when people ask why would people want to

22 manage all of this account, what you are talking

23 about is an enormous transfer of wealth from people's  
24 savings to the people who manage those accounts. So  
25 even if you are for individual accounts, you would

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1 probably have to figure out a government-like  
2 structure to lower the transaction cost as much as  
3 possible. But your point --

4 MR. SHERMAN: If you lower the transactions  
5 cost, you are taking away the reason they want to  
6 privatize Social Security. You are talking out all  
7 of the fun out of it.

8 MR. SPERLING: That's right. The more  
9 choices you have, the more you can trade, the more  
10 you can borrow. All of those things take away over a  
11 period of 30 or 40 years an enormous amount of your  
12 savings. The more you lower those transaction costs,  
13 the less choices you have.

14 I think your point is that with Social



15 Security as we have it, that number is zero, so that  
16 what you get is fully returned. And there is  
17 virtually no transfer of wealth. And in fact, the  
18 Social Security Administration even itself has an  
19 enormously low overhead administration cost compared  
20 to the funds they are saving.

21 MR. SHERMAN: I'd like our other panelist to  
22 comment. I know I'm almost out of the of time.

23 MR. TORRES-GIL: I would like to echo Gene's  
24 comments. He asked what the administrative overhead  
25 was in the Social Security Administration for

1 overseeing the benefits for the many people. It's  
2 less than one percent. It's like .05. And  
3 government bureaucracies may not be popular on the  
4 surface of the America public. Although after 9/11,  
5 I think the American public recognizes why government  
6 and public agencies are important to us. But the

7 Social Security Administration is very efficient,  
8 very low overhead, because they don't have profits  
9 and they are not trying to take their cut of the  
10 action.

11 MR. SCHACHTER: I want to add one small thing  
12 too as well. When Gene speaks in terms of savings,  
13 the emphasis I think must be on collective savings.  
14 Because very often in the language that's expressed  
15 by the propaganda for privatization, they accuse poor  
16 people of not saving enough money. That somehow it's  
17 your fault that Social Security is in trouble because  
18 too much money is being paid out to you. And you  
19 ought to be saving more money.

20 The fact is that most people in this country,  
21 moderate-income people, low-income people. Are  
22 finding it very hard to make ends meet. They are  
23 saving as much as they can; and therefore society  
24 must do the saving. And that's exactly where the  
25 national budget and tax policy becomes effective.

1 That becomes the means for how society prepares for  
2 the future by guaranteeing that there are other  
3 resources that collective are accumulated to meet the  
4 needs of our society in the future.

5 MR. SHERMAN: If I can just comment,  
6 Dr. Torres-Gil, you are absolutely right. There's a  
7 small governmental administrative cost that even if  
8 we privatize Social Security, somebody still has to  
9 send out the checks, determine when somebody becomes  
10 eligible so that doesn't go down.

11 And the idea of taking \$1 trillion, chopping  
12 it up into 100 million \$10,000 accounts, having  
13 somebody in a cubicle service each one of those  
14 accounts, and take one or two or three percent a year  
15 in brokerage costs is enough to pay for an awful lot  
16 of phony television commercials urging the  
17 privatization of Social Security. Thank you.

18 MR. BECERRA: Thank you, Mr. Sherman.  
19 Gentlemen, I'm going to ask my questions and allow  
20 Congresswoman Juanita Millender McDonald to catch her  
21 breath. We're grateful that she had time to come.

22 But again, to Congresswoman Juanita Millender  
23 McDonald, another champion from the Los Angeles area,  
24 thank you for being here.  
25 I'm going to run through a series of facts

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1 and statistics. And I'd like you to comment, because  
2 all of you touched on the issue of women and  
3 minorities. And if you look at our audience, you'll  
4 see that like the numbers, our audience reflects the  
5 life of America. We have more women who are retired,  
6 more minorities who are in need of Social Security.  
7 So let me recite some statistics that I would like to  
8 ask you to express to me how current Social Security  
9 compares to a privatized Social Security for women  
10 and minorities.  
11 According to the information I have, women  
12 represent 58 percent of all Social Security  
13 recipients by the age of 65. And they represent 71

14 percent of all Social Security recipients by the age  
15 of 85. Women tend to be poorer than men. They  
16 account for 70 percent of older adults living in  
17 poverty. And without Social Security, 52 percent of  
18 white women, 65 percent of African American women and  
19 61 percent of Latinas over 65 would live in poverty.

20 Women earn less than what men do. That we  
21 all know. They earn about 73 percent of what men do.  
22 They on average work about 14 years less than men do.  
23 As a result they average a loss of about \$550,000 in  
24 lifetime wages, which would obviously affect how much  
25 they could invest in a private account. And it

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1 happens that they outlive men by an average of six to  
2 eight years.

3 In terms of minorities, for one in two  
4 African American seniors, Social Security provides 90  
5 percent or more of their total income. Only 28

6 percent of African American retirees and 21 percent  
7 of Latina retirees have a pension other than Social  
8 Security.

9       And according to the Social Security  
10 Administration, Social Security benefits are the sole  
11 source of income for some one third of Latinos and  
12 African American recipients while the same is true of  
13 only 15 percent of white recipients. From those  
14 statistics and numbers that we know, a brief comment  
15 from any of you on the difference between current  
16 Social Security and a privatized Social Security.

17       MR. SCHACHTER: It's my understanding that  
18 the proponents of privatization do not hide the fact  
19 that their programs will, in fact, mean a decline in  
20 Social Security payments in the future. They expect  
21 the stock market to somehow in some mysterious way  
22 based on the experiences of a boom period to overcome  
23 that deficiency.

24       The fact is that the stock market doesn't  
25 always go up. It also goes down. The recovery

1 period is a very long period of time. So any  
2 projection of the future of Social Security and the  
3 payments that will be coming to the beneficiaries of  
4 Social Security represent at this point a decline in  
5 their income. And the people who will be affected  
6 most drastically are the people at the low ends of  
7 the income.

8 I have a special responsibility in the senior  
9 community on housing issues. I know that when we  
10 today open up a government sponsored housing project,  
11 we will have a tenancy of people who, essentially  
12 women, whose average income is around \$650 to \$700 a  
13 month, who are spending far over 50 percent of their  
14 income on housing, and we open these projects and we  
15 get an qualified tenancy of about 4,000 people for 65  
16 units -- that just happened to a project that we  
17 opened for a nonprofit I worked with that opened up  
18 in Santa Monica just a couple of weeks ago -- that  
19 shows the need.

20 And these are the people who will be in the

21 future when one assumes that this program goes into  
22 affect. And with a decline in the income that's  
23 guaranteed from Social Security with the risk of  
24 depending on an income that comes from the stock  
25 market and from people who will have, mainly women,

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1 who will have a lesser working time in which to  
2 accumulate that supposedly golden pot at the end of  
3 the rainbow. We can see not a decrease that Social  
4 Security has accomplished in poverty, but an increase  
5 in poverty as far as our population is concerned.

6 MR. BECERRA: Let me make a brief comment,  
7 because I do have one other question that I would  
8 like to ask the panel.

9 MR. TORRES-GIL: Yes. I think the bottom  
10 line from your data, which is right on the mark, is  
11 that any kind of privatization that erodes the basic  
12 feature of Social Security really leaves women in the



13 lurch. And when you look at the aging of society, it  
14 really is about the aging of women. Aging is about  
15 women. They outlive men by five to six years. They  
16 are out primary caregivers and take care of our  
17 children and don't get benefits.

18       After age 85, 70 percent of women are alone,  
19 are widowed or separated or divorced. So ultimately  
20 it's about what we do for women as they grow older.  
21 Any kind of privatization does not account for their  
22 particular circumstance and will leave them in the  
23 lurch.

24       MR. BECERRA: Gene, if you can be brief. I  
25 do have a follow-up question. I would like to ask a

1 question of you specifically.

2       MR. SPERLING: The core of a lot of  
3 privatization plans is that you are going reduce the  
4 guaranteed benefit rather significantly. And you

5 hope that this individual account on top will make up  
6 a certain amount of difference. I think usually it  
7 still leads to a 10 to 20 percent cut, but it makes  
8 up a certain amount of the difference.

9       The point you are making is extremely  
10 important in terms of women in a couple of ways.  
11 One, not just women, but people with disabilities  
12 will not work as much to accumulate as much in those  
13 individual accounts.

14       So because they don't work as many years,  
15 women and people who either have disabilities or come  
16 to have disabilities will not be able to develop  
17 individual accounts that will compensate; therefore,  
18 the people who will get the worst benefit cuts would  
19 most likely be women and people with disabilities.

20       Secondly, one of the great things about  
21 Social Security that does do for women is that if you  
22 live a long time, Social Security is there all of the  
23 time. When you have an individual account, unless  
24 you force annuitization, then somebody's money could  
25 run out. So what happens?

1       They say they want you to be able to give the  
2 money to inherent it. But on the other hand, if you  
3 do that, if you just take the money out so it's  
4 yours, many, many women would simply run out in their  
5 80s and be forced back into the poverty Social  
6 Security was supposed to prevent. So there are many  
7 unanswered questions.

8       I do think, however, that we probably do need  
9 to fix one thing in Social Security. And that is the  
10 poor degree of payments that go to widows. Every  
11 once in a while you see a statistic that jumps out at  
12 you. I always looked at overall elderly poverty and  
13 saw it going down and saw it around ten percent.

14       I never knew until later that within that ten  
15 percent, that about four percent of women who were  
16 married were in poverty and about 18 percent of  
17 widows were in poverty. And that issue is the one  
18 area where Social Security is not serving women as  
19 well. And that can and most easily be corrected

20 without privatization by simply changing the existing  
21 benefit structure.

22 MR. BECERRA: Congressman Matsui is the  
23 leader in that effort. And a number of us are  
24 working with him to cosponsor sponsorship to address  
25 that very concern. My time has elapsed. And now

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1 we'll yield five minutes to the gentlelady from  
2 Los Angeles, Ms. McDonald.

3 MS. McDONALD: It's always good to have a  
4 senior member by your side. Good morning to all of  
5 you. And let me first thank my good friends and  
6 colleagues who have been in the trenches working so  
7 hard on this issue, Congressman Matsui and  
8 Congressman Xavier Becerra and then, of course,  
9 Congressman Brad Sherman and I are always on the  
10 periphery scratching and clawing seeing if we can put  
11 our two cents in.

12 I am indeed pleased to see, first of all,  
13 Gene Sperling who has directed us into quite a  
14 surplus prior to a new administration coming on  
15 board. It's good to see you here again in  
16 Los Angeles. And Dr. Fernando Torres-Gil and  
17 Mr. Marvin Schachter, it's a pleasure to see you.  
18 Thank you so much.

19 It's good to see you here and especially the  
20 audience, those of whom represent exactly what we're  
21 talking about today. As the Democratic chair of the  
22 women's caucus in the House, we are fully aware of  
23 the women being disproportionately disadvantaged on  
24 anything that represents privatization of Social  
25 Security.

1 We have heard the statistics over and over  
2 again. Since I've sat here they have been repeated.  
3 But I'm here to repeat it again just for the record.

4 We recognize that women constitute approximately 60  
5 percent of the recipients over the age of 65. And  
6 roughly 72 percent of the beneficiaries above the age  
7 of 85 are women.

8       In fact, women are left to really take care  
9 of themselves and family members. Often times women  
10 do have to stop work or even before they begin work  
11 for child-bearing years, for helping the elderly  
12 family members. And they come into the job market in  
13 a disadvantage because they come in on lower wages,  
14 on part-time jobs, and often times not earning as  
15 traditionally women earn less than men. But in this  
16 case coming in late, that is exponentially lower.

17       So to the panel that we have today  
18 recognizing these deficiencies from the outset, how  
19 can we look to pay or increase payments for women who  
20 are widows at the percentage level that I've just  
21 outlined. And we have talked with the women caucus  
22 brought on the President's Commission on Social  
23 Security, his task force. And they said that there  
24 is a critical need to have privatization in order to  
25 up the ante on those funds available to those women

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1 who will find themselves widows.

2 That is not an argument that I accept. But I  
3 would like for you to expound on how can we look at  
4 privatization of Social Security given the current  
5 market as a vulnerability? And secondly, we are  
6 efficient right now in terms of those who administer  
7 Social Security.

8 But if we have private accounts coming into  
9 bear, how can you or how would you expound on the  
10 administration of that type of program and how the  
11 money will be squandered, if you will, given a costly  
12 administrative cost trying to do a privatization  
13 program given the weak market that we have now?  
14 Those are questions that I would like for you to  
15 answer for me.

16 MR. SCHACHTER: I just want to make one  
17 point. There are seniors who thought they were we  
18 well provided for the future who had saved their

19 money, who had invested in the stock market, who  
20 invested in bonds and thought they were secure.

21 During the last few months, those seniors  
22 have been caught in the scissors, in the vice, where  
23 on the one hand their bonds now paying a far lower  
24 rate of interest. Their money market accounts are  
25 down to practically no return whatsoever.

1 Those who faced that a couple of months ago  
2 thought, well, at least my stocks are holding up, but  
3 now the stocks have collapsed. And suddenly people  
4 who thought that well, we feel Social Security is a  
5 foundation, but we have enough funds to live a secure  
6 life for ourselves. And that secure life has been  
7 destroyed by the normal workings of the economy.  
8 Of course the Enrons and the corruption that we have  
9 seen in the executive suites is a factor. But the  
10 fundamental factor is that we go through business



11 cycles which has happened ever since the founding of  
12 our capitalist economic system. That will continue.

13 We will have ups and downs.

14 And to threaten the foundation of security,  
15 these people now know they at least have Social  
16 Security. But there are those people that I know who  
17 now find they can no longer afford the apartment that  
18 they thought they could stay in for the rest of their  
19 days. There are those people who thought they had  
20 enough funds to guaranteed that if they had to go to  
21 a nursing home, it would pay their way. They can no  
22 longer do that. That's the danger we're facing  
23 today. And that's the danger we must avoid.

24 MR. TORRES-GIL: To the Congresspersons, two  
25 ideas, and there are many, but first to take into

1 account as you mentioned that women have a  
2 disproportional burden for raising families, for

3 taking care of elders, for providing normal long-term  
4 care.

5 I support the notion of some kind of care  
6 credit where they would not be penalized for not  
7 contributing to the required quarters, but would get  
8 some kind of credit both for any working years but  
9 also for unpaid care work, and that it immediately go  
10 forward giving them a higher benefit as they get  
11 older. Of course we have to answer the question, how  
12 would we cover it and how would we factor it into the  
13 overall revenue needs?

14 The second goes into the other end of the  
15 spectrum, continue your efforts and that of the many  
16 women's organizations to educate and invest in  
17 younger women and girls in their education, in their  
18 training, in their opportunities for advancement, in  
19 the eliminating the wage ceilings and those  
20 opportunities so that, in fact, they can be better  
21 prepared to support themselves as they get older.  
22 And the reality is that most will be widowed or alone  
23 as they get older. So we have to work to do on both  
24 ends of the spectrum.

25 MS. McDonald: Dr. Torres-Gil, we recognize

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1 that young women do not wish to buy into Social  
2 Security as we know it, because they aren't seeing  
3 the threat of not having any benefits on the other  
4 end of when they become older women and are now  
5 dependant upon Social Security.

6 MR. TORRES-GIL: That is a real concern.

7 MS. McDONALD: That's correct. Can I hear  
8 from at least Mr. Sperling before we second  
9 ourselves.

10 MR. SPERLING: In looking at the stock market  
11 volatility that we've seen, I think it's important to  
12 remember, and I know this expression is used all of  
13 the time and has probably been used today, but Social  
14 Security was supposed to be one leg of a three-legged  
15 retirement structure, personal savings, a pension and  
16 Social Security.

17 I do not think that my message to people is

18 to be scared of the stock market, don't invest any of  
19 your money in the market for retirement. There's a  
20 certain amount of risk that makes sense. But what I  
21 always thought was excellent about our structure is  
22 that there were two legs of the retirement structure  
23 that already have a significant amount of risk. Your  
24 private pension as we see, as we've learned as we've  
25 watched the people of Enron had risk, your personal

1 savings have a degree of risk.  
2 Social Security was supposed to be the one  
3 thing that was a bedrock. It was a guaranteed  
4 structure. So I think that we should be doing more  
5 to help even poor people, especially poor people  
6 save, more low and moderate-income families save. I  
7 am not against, I'm emphatically for more efforts to  
8 have savings accounts that are generous to help more  
9 people of save outside of Social Security. But with

10 so much risk already affecting the other two  
11 elements, we should be locking in that Social  
12 Security is where you have the guaranteed structure.  
13 Because the one thing in the real word and  
14 the theoretical world we're seeing is that in the  
15 theoretical world we're told if you invest in any 30-  
16 or 40-year period, your money comes out better, so  
17 that's why it's okay for Social Security.

18 What we're seeing is that people don't retire  
19 in a theoretical world. Some people retired when the  
20 market went way down. And imagine two brothers  
21 talking. One brother in a world in which you have  
22 private accounts. If they had private accounts back  
23 in 1970, two brothers talking, one retired in the  
24 year 2000, the other retired just 18 months later.

25 One, how would they think? One just because

2 percent less benefits for the rest of his life. That  
3 is the kind of risk Social Security has. You can  
4 retire in a down year as opposed to an up year.  
5 Social Security smooths that out. You get the same  
6 benefit.

7       So I think that this does not say let's stay  
8 from investing in the market. Let's do more to help  
9 people invest in the market. But let's keep Social  
10 Security the bedrock against that risk that we've  
11 seen so visually in the papers and in people we know.

12       MR. BECERRA: Thank you, Mr. Sperling. Thank  
13 you to the three panelists for their testimony. I  
14 know that we could have any number of additional  
15 questions, but we want to run as close to time as  
16 possible. Thank you very much. Now if we could have  
17 our next set of panelist. And we have panelists and  
18 individuals here.

19       I'd like to ask Dr. Carroll Estes who is the  
20 Professor at the School for Health at the University  
21 of California at San Francisco and a former national  
22 board member the Older Women's League Board along  
23 with Evelyn Morton who represents interest for the  
24 American Association of Retired Persons, Pat

25 Napoliello who is president of the board of directors

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1 of ARC California, a policy advocacy group for  
2 disabled members and Californians, Ms. Max Richtman  
3 who is the executive vice president of the National  
4 Committee to Preserve Social Security and Medicare,  
5 and Mr. Michael Schaffer who is the president of  
6 ASME (phonetic) Retirees Chapter 36, which is the  
7 Federation of Retired Union Members of Los Angeles  
8 County, Federation of Labor, AFL-CIO.

9 We're going to try to have three people make  
10 their presentations. And when we have the three of  
11 them complete their testimony, we will ask them to  
12 make room for two other panelists who will be sitting  
13 along with us. And then when we take questions,  
14 we'll ask you to please share a mike. And we  
15 apologize for the convenience. There will be room  
16 for the two other panelists to sit up here.

17 Michael, if you have a chance you can sit up  
18 here right here where the chair is. When we have the  
19 three panelists who are making their presentation,  
20 we'll ask two of them to please vacate the chair and  
21 make room. And then we'll have you squeeze in as  
22 best as possible to make your response to your  
23 question.

24 I'd like to try to run this as close to on  
25 time as possible. I'll ask the panelists and my

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1 colleagues for their indulgence in trying to keep us  
2 to a five-minute limit, because we must be out of  
3 this chamber by 12:30. And I'd like, if possible, to  
4 be able to give the audience an opportunity to ask  
5 questions or make comments. We won't get there  
6 unless we stick to a timetable. So five minutes,  
7 please. Let's begin then with Dr. Carroll Estes.

8 MS. ESTES: Thank you, Congressmen and



9 Congresswoman. What an honor to be here. We are so  
10 appreciative of the work that you are doing on behalf  
11 of all Californians and older Americans and older  
12 women. The Older Women's League is particularly  
13 pleased to be here because of women's profound stake  
14 in the Social Security program.

15        OWL is the only national grass-roots  
16 membership organization to focus exclusively on the  
17 issues unique to women as we age. And while we're  
18 working to improve the status and quality of life of  
19 midlife and older women, we are also concerned for  
20 young women today. And they we know remain the most  
21 vulnerable to poverty and retirement tomorrow.

22        My testimony reflects the realities of  
23 women's lives, that women earn less, take substantial  
24 time out of the work force for unpaid caregiving as  
25 has already been noted at a cost of over \$500,000

1 over the lifetime in lost wages. Women don't  
2 typically receive pensions. Only 18 percent of  
3 current female beneficiaries of Social Security have  
4 private pensions. And women live an average of six  
5 years longer than men.

6       The result is that women are poorer in  
7 retirement. And the inflation adjusted lifetime  
8 benefits of Social Security is more than a safety  
9 net. It's a solid financial base on which women must  
10 depend.

11       Poverty for women aged 65 and older and  
12 particularly women of color often begins the first  
13 day they enter the labor force. Women, as already  
14 noted, earn on average -- all women to each white man  
15 earns about 73 cents for every dollar. So in  
16 repeating things said earlier, 65 cents for every  
17 African American woman for every white male's dollar.  
18 And it's 55 percent for Latina women.

19       You cannot save and invest money you do not  
20 have. This means that women cannot save in any way  
21 in comparing with what men, and particularly with  
22 what white men can save. And this wage gap between  
23 men and women is stated to cost over each individual

24 woman over \$250,000 over a lifetime.

25 Women also take this caregiving loss of the

1 \$550,000 already mentioned for child rearing and in  
2 midlife for spouses and parents. For women, it's an  
3 average of 12 years out of the Social Security rather  
4 than in the work force, which goes at zero as we  
5 currently know from the present policy.

6 And depending on the mythical three-legged  
7 stool, as we have discussed before, Social Security,  
8 pensions, that is private pensions and personal  
9 savings has never worked well for women.

10 Our work patterns and lower wages make the  
11 last two legs unsteady at best. And as Gene Sperling  
12 and others have noted, these are risk stools. And  
13 while not perfect, Social Security is the most  
14 essential and reliable foundation for women's  
15 retirement. And over half of all women would be in

16 poverty without it. Also this has been discussed, 61  
17 percent of Hispanic older women would be poorer  
18 without Social Security and 65 percent of African  
19 American women would be poorer without Social  
20 Security.

21 Although those who want to privatize Social  
22 Security have worked hard to convince us that their  
23 proposals are taken with women's needs in mind,  
24 privatization will simply not work for women. And I  
25 offer ten reasons why.

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1 Private accounts destroy the social insurance  
2 nature of Social Security. Instead of the current  
3 collective spirit and structure of Social Security,  
4 private accounts mean every woman for herself.

5 Second, private accounts don't offer Social  
6 Security's insurance against unexpected events.  
7 Women need disability and survivor's insurance unique

8 to Social Security. Would a 32-year-old widow or a  
9 widowed mom have enough in her private account to  
10 protect her family as well as Social Security can?

11 That's unlikely.

12 Number three, private accounts don't come  
13 with inflation-adjusted guarantees. Women's longer  
14 lifespan makes them particularly vulnerable to  
15 outliving their money. Something that can never  
16 happen with Social Security and its lifelong  
17 inflation-adjustment benefits.

18 Number four, private accounts ask women to  
19 bear more risk. Women have been balancing a  
20 one-legging stool for some time, and that is Social  
21 Security. Private accounts would further erode that  
22 one leg.

23 Five, private accounts offer less reward than  
24 promise. The reality is that most working women  
25 would only accumulate a small amount in their private

1 accounts and not the vast wealth promised by  
2 privatizers.

3 MR. BECERRA: Thank you for concluding the  
4 remarks. By the way, for those who do didn't get  
5 written testimony, we do have it for the record. It  
6 will be included in that record. And you need not  
7 try to repeat the written remarks in any of your  
8 presentations. Now let's move on to Ms. Morton,  
9 please.

10 MS. MORTON: Good morning. I want to thank  
11 all of you for inviting AARP specifically to  
12 participate in this very important forum. If we're  
13 going to solve Social Security's problems and they  
14 are not very great, we have got to be talking to  
15 Americans of all ages in their home areas. We cannot  
16 let the debate stay in Washington. Because if we  
17 ultimately are going to come to a solution, it's got  
18 to be one that's embraced by the American people and  
19 understood by the American people.

20 Let me emphasize real quickly again that  
21 Social Security income protection is unmatched for  
22 Americans of all ages. We have heard enough about

23 the dependence of older people on Social Security.  
24 And we've also heard a little bit about how the  
25 program provides insurance protection against

1 disability and death for nearly all working Americans  
2 and their families.

3       Once benefits begin, they are indexed every  
4 year for inflation and are guaranteed for a lifetime.  
5 Social Security is the only component of retirement  
6 income that cannot be jeopardized by misfortune,  
7 eroded by inflation or depleted by a long life.

8       We know Social Security will need some  
9 changes for the future. And the sooner we make those  
10 changes, the more modest they can be and the longer  
11 those affected will have to make adjustments in their  
12 plans for the future. In the past we've corrected  
13 Social Security's deficits through benefit reductions  
14 or revenues increases or some combination of both.

15 But today we've heard a lot and we've heard a  
16 lot this morning about another option, which is to  
17 broaden Social Security's investment. For some this  
18 is a painless solution. But it is not.

19 I would like briefly in the time I have left  
20 emphasize a couple of points that have been made here  
21 before me. Individual accounts are good. They are  
22 important to increase overall retirement income. But  
23 they cannot be financed with existing payroll tax  
24 dollars.

25 AARP believes individual accounts that

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1 supplement, not substitute for Social Security's  
2 defined benefit promises are the direction we should  
3 be moving. Accounts that are financed with payroll  
4 tax dollars worsen the program's financing and as has  
5 been mentioned before, expose many workers to a risk  
6 that they might prefer not to have.



7        These kinds of accounts move Social Security  
8 from a promise benefit plan to a non-guaranteed  
9 individual savings plan. And I want to emphasize,  
10 and I haven't heard any of our panelists talk about  
11 it, Social Security has never missed a dollar or a  
12 day in payments. And that's something that we need  
13 to remember. Social Security's base of income  
14 protection would become less predictable if it were  
15 less secure.

16        As Gene mentioned, the blurring of the  
17 different legs of the retirement picture or the  
18 pillars as we prefer to call them would become lost.  
19 Social Security provides that foundation that allows  
20 individuals to invest and take a risk if they want  
21 to.

22        In fact, we know that in the past two decades  
23 trillions of dollars have been poured into individual  
24 retirement accounts by American workers. Now, they  
25 may not be worth as much as they were when they

1 started given what's happened, but we believed that  
2 what one of things that we need to do as we look at  
3 what we need to do with Social Security is to broaden  
4 access to these accounts so that investors can save.

5       These accounts also do create problems for  
6 lower earners and for minorities. We haven't talked  
7 about Social Security progressive payout formula this  
8 morning. And this is a particular advantage to  
9 people who have low earnings. Many low-income  
10 workers as we know are minorities. Social Security's  
11 critics are trying to tell them it's not a good deal.  
12 That is simply wrong.

13       I think one other point that I would like to  
14 make is the fact that a lot of these analyses that  
15 are provided by KATO and Heritage assume that a  
16 worker has a steady lifetime of earnings. That's  
17 what they do when they do their analogy. This is not  
18 true for many workers, particularly for low-income  
19 workers. So the idea that everybody can get rich off  
20 of these individual accounts is simply not the case.

21       As we have seen, when you retire, your

22 account is only worth as much as the stock market is  
23 paying at that point in time. And we've seen an  
24 array of articles about the plight of retirees and  
25 near retirees who find that they have to return to

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1 work in order to finance and have a secure  
2 retirement. There are many ways to strengthen Social  
3 Security. But individual accounts financed within  
4 Social Security is not one of them.  
5 Americans of all ages should become better  
6 informed about the Social Security system through  
7 programs such as this. And we at AARP are  
8 particularly pleased that two bus loads of our  
9 members were able to come from Downtown L.A. to  
10 participate in this, because ultimately they are the  
11 ones who understand the value of the program and can  
12 communicate it to their children and grandchildren.  
13 Thank you very much.

14 MR. BECERRA: That's Ms. Morton. Thank you  
15 to you and all of the folks at AARP for helping so  
16 many of the seniors in Los Angeles who came this  
17 morning. Let me now turn to pat Napoliello, is that  
18 correct, who is with ARC and is one the chief  
19 advocates for people with disabilities in California.

20 MS. NAPOLIELLO: Thank you. My name is Pat  
21 Napoliello. And I'm president and board of directors  
22 of ARC California, which is a state chapter of ARC of  
23 the United States. We're a national advocacy  
24 organization for people with disability. And I live  
25 in San Francisco, but most of all as Joseph's mom.

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1 He's the oldest of my four children. He has  
2 (inaudible) syndrome, a disability whereby he has a  
3 cognitive impairment, a seizure disorder, a sleep  
4 disorder and is nonverbal. He uses signs and  
5 gestures to communicate.

6       He needs 24/7 care and supervision. He was  
7 included in the San Francisco Unified School District  
8 schools in sixth grades through middle school and  
9 high school. And now at age 22 Joseph lives in his  
10 own apartment, a HUD subsidized low-income housing by  
11 the way, with a live-in attendant and has part-time  
12 job and is involved with Job Corps and a cadre of  
13 support from the San Francisco community where he has  
14 made his a home.

15       He lives on Social Security and the other  
16 benefits that are made available to him because of  
17 this entitlement. As a parent with a son with  
18 disabilities, I was very concerned about the negative  
19 impact Social Security reform proposals would have on  
20 people with disabilities.

21       The president's commission to strengthen  
22 Social Security will release their report in December  
23 of 2001. The commission's proposal makes  
24 representation to change the retirement program among  
25 other things. These changes would also apply to the

1 disability insurance program. As acknowledged by the  
2 commission, this could result in reduced benefits for  
3 people with disabilities. This would have a  
4 devastating impact on their lives.

5       People with disabilities benefit from title  
6 two trust funds of the Social Security program in  
7 many ways. This includes disabled workers with their  
8 own work history, retirees with benefits based on  
9 their work history, disabled adult children who are  
10 dependent of disabled workers and retirees and  
11 disabled adult children who are survivors of deceased  
12 workers and retirees and disabled widows or widowers.

13       More than one third of the Social Security  
14 beneficiaries are non-retirees including over 730,000  
15 disabled adult children who are covered by survivors,  
16 retirement and disability programs. The key  
17 component to the commission's recommendations is the  
18 privatization of Social Security trust funds allowing  
19 people to invest in individual accounts based on  
20 wages. A recommendation to privatize Social Security

21 ignores the fact that many people with disabilities  
22 are unemployed.  
23 68 percent of working-aged people with  
24 disabilities are currently not employed. With  
25 unemployment so high among people with disabilities,

1 it is unrealistic to presume that they will be able  
2 to contribute at levels sufficient enough to provide  
3 for their own long-term benefits under private  
4 accounts.  
5 Furthermore, the private accounts of persons  
6 are unlikely to be adequate to cover basic support  
7 for disabled adult children for the rest of their  
8 lives after the parents' death, especially if the  
9 parents themselves have had a long-time dependency on  
10 these private accounts. Some of the reform proposals  
11 put forward by others would require retirees to  
12 purchase annuities from the proceeds of their

13 individual investment accounts.

14       It is my understanding that typical annuities  
15 make no provision for disabled children who are  
16 receiving dependent or survivor benefits. Privately  
17 purchased annuities provide no assurance that upon  
18 distribution of a parent's estate, the disabled adult  
19 child would be adequately protected into the future.  
20 And disability insurance is not an option either.

21       People with disabilities are virtually unable  
22 to obtain this kind of insurance because of already  
23 having a disability. Most disability insurance  
24 coverage protects against becoming disabled. People  
25 with existing disabilities depend on the safety net

1 of Social Security.

2       The ARC believes that the commission's report  
3 has failed to adequately address issues affecting  
4 dependents and survivors of disabilities whose



5 benefits come from the retirement and survivors'  
6 program as well as those whose benefits come from the  
7 disability insurance program. Social Security  
8 benefits are insurance against poverty and are  
9 essential to protecting people with disabilities.

10 Any changes to the Social Security program  
11 must protect and not harm people with disabilities.  
12 The vast majority of people with disabilities rely on  
13 Social Security as the primary if not their sole  
14 source of income. To reduce this and the subsequent  
15 risk of reducing other related benefits is not in the  
16 best interest of people who are dependent upon this  
17 program for their very survival.

18 Advocates like us representing people with  
19 disabilities believe that any changes to bring  
20 long-term solvency to the Social Security trust fund  
21 must be heard and strengthen the principles of this  
22 very program.

23 These principles are universal, shared risk,  
24 protection against poverty, preservation of  
25 entitlement, guaranteed benefits and coverage to

1 multiple beneficiaries across generations.  
2 Furthermore, the ARC believes that any change to the  
3 Social Security program should not be so drastic that  
4 it either undermines or disbands the basic structure  
5 and protection of the program.

6 We would also request a beneficiary impact  
7 statement from the Social Security Administration on  
8 every proposal or component of a proposal that is  
9 under consideration. Thank you for your time and  
10 attention.

11 MR. BECERRA: Thank you very much. Why don't  
12 we do this, I think if you swing that mike over, I  
13 think you can actually say who you are. Pat and Max,  
14 if you don't mind standing, we can actually have you  
15 testify from the microphone at the podium when it's  
16 your term. So if Max can go ahead. We can have  
17 everyone right in front of us and not have to play  
18 musical chairs. Five minutes max.

19 MR. RICHTMAN: Congressman Becerra, thank you

20 for inviting the National Committee for Social  
21 Security and Medicare to participate in this hearing.  
22 You have been a leader in the United States Congress  
23 in the effort to protect and strengthen Social  
24 Security.  
25 I also would like to thank the ranking member

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1 of the Social Security Subcommittee of the Ways and  
2 Means Committee, Congressman Matsui. I believe we're  
3 very fortunate to have Congressman Matsui in this  
4 important position in this crucial moment in the  
5 future of determining what happens to Social  
6 Security. Finally I'd like to thank both the  
7 Congressman Sherman and Congresswoman Juanita  
8 Millender McDonald.

9 I know first hand of their interest in these  
10 issues having been invited to the district on a  
11 number of occasions. I was with Congressman Sherman

12 last Thursday at a town meeting, so I know the  
13 commitment of all of the members personally.

14 Last year, as you know, the administration  
15 established a 16-member commission to strengthen  
16 Social Security. While the commission was  
17 bipartisan, every member had to pledge his or her  
18 support for privatization prior to being appointed.

19 A major charge of the panel was to ensure the  
20 long-range solvency of the program now down to run a  
21 28 percent shortfall beginning 39 years from now,  
22 2041. These two objective to carving out money for  
23 private accounts moving towards long-ranged solvency  
24 are in fundamental conflict. It's just simple  
25 mathematics. That's why the commission failed to

1 reach a consensus on a single plan.

2 The basic problems with Social Security

3 privatization are three in my opinion. Privatization

4 dramatically worsens Social Security long-term  
5 solvency by siphoning off money from private accounts  
6 that will be needed to pay current benefits.  
7 Privatization plans therefore require enormous cuts  
8 in guaranteed benefits for retirees, the disabled and  
9 the surviving spouses and children. It further  
10 exposes an increasing share of retirement income to  
11 economic risk placed on individuals rather than on  
12 the whole of society.

13       Privatization will have a particularly  
14 devastating impact on women, minorities and the  
15 disabled and has been pointed out many times this  
16 morning. Privatization turns the insurance concept  
17 of Social Security on its head by rewarding higher  
18 wage earners with uninterrupted work histories.

19       Social Security was designed to provide  
20 income protection especially for lower and  
21 middle-income families due to the death of a family  
22 wage earner, disability or old age. Social Security  
23 was created as an insurance program, not an  
24 investment scheme.

25       The most recent analysis of the commission's

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1 plan found that due to the lost revenue of the  
2 programs diverted into private accounts, today's  
3 35-year olds who retire in 2032 and who do not opt  
4 for the voluntary two percent payroll tax diversion  
5 would still see a 17 percent reduction below current  
6 benefits.

7       The commission frankly needed these cuts in  
8 guaranteed benefits to cover the costs of revenues to  
9 put into these private accounts. The plan still  
10 moves closer, not further, but closer to the date in  
11 which Social Security will be required to begin  
12 drawing on the trust fund's interest and move that  
13 from 2017 to 2009.

14       The report clearly shows that the Social  
15 Security plan assumes benefits cuts to disability and  
16 survivor benefits of as much as 46 percent. These  
17 cuts have a tremendously disproportionate income on  
18 low-income minorities, women and children as the

19 biggest beneficiaries of these two categories of  
20 benefits.

21       Although many Enron and Worldcom and other  
22 employees have recently lost most or all of their  
23 private assets locked into company stock, their  
24 workers will still be able to retire with at least  
25 the assurance of Social Security's income based on

1 their wages. Perhaps it's not much, but better than  
2 nothing. We've been hearing from national committee  
3 members across the country about how important the  
4 Social Security program is.

5       By contrast, we know from recent events in  
6 the stock market that it is a volatile place. Even  
7 ignoring the Great Depression, the past 30 years have  
8 created many 12-month periods in which the real value  
9 of stocks have dropped by as much 40 percent and  
10 risen as much as 50 percent.

11       It is true that we need begin a debate of  
12 beyond privatization to make modest adjustments that  
13 can be made today to ensure that the program of  
14 Social Security will be in tact for future  
15 generations. The sooner we begin this debate, the  
16 less difficult the decisions will be.

17       We also need to pay down or mounting federal  
18 debt. During the last year of the previous  
19 administration, as was discussed previously, we were  
20 on the road to succeeding. Last December the  
21 president's commission called for a year of debate  
22 and discussion of the plan followed by congressional  
23 action. The administration has not been proactive.  
24 And many members of Congress have not been active in  
25 this debate.

1       It reminds me, Congressman Becerra, of  
2 Mohammed Ali's rope-a-dope. I have a fear that



3 that's what's happening to the Social Security  
4 debate. And that after the election we are going to  
5 face a full court press from this administration and  
6 in some in Congress to privatize the program. Thank  
7 you very much.

8 MR. BECERRA: Thank you, Mr. Richtman. Let  
9 me now turn to Michael Schaffer.

10 MR. SCHAFFER: I would like to thank the  
11 committee and my own Congressman, Xavier Becerra. I  
12 remember the wonderful forum you did on Medicare. It  
13 was absolutely fantastic.

14 I want to repeat what's gone forth already in  
15 much of my written testimony. But for me this is  
16 sort of like a nightmare, kind of a disaster film.  
17 Everything seems okay, but you know the earthquake is  
18 coming or the big fire or the perfect storm or  
19 something like that.

20 When I was in college 35 years ago we were  
21 arguing this. I never thought I would be up here  
22 talking about this in a serious kind of way. With  
23 one half of the American people without any form or  
24 any kind of pension to be talking about lowering  
25 benefits in Social Security is just absolutely

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1 astounding to me, virtually one half of the people

2 without anything.

3 And taking a trillion and a half dollars over

4 a ten-year period to invest in accounts and to see

5 what's happened with the market, including my own

6 investments. Additionally, let's just take this as

7 an absolute absurdity.

8 Let's say it happens. What will happen to

9 total privatization? What they will say is, you see,

10 this doesn't work. We didn't take this to its

11 ultimate. We have to privatize this all of the way,

12 because the government's program is not working.

13 That's what happened in Argentina. Argentina

14 defaulted because they privatized Social Security in

15 1994. And the insurance companies failed to pay out.

16 So the government to pay out without getting any

17 revenue.

18        So then they couldn't pay their bills and  
19 they defaulted. And now they are being punished  
20 because the IMF won't give them any money. So if  
21 Argentina had not privatized Social Security, there  
22 would be a surplus today. So this is absolutely  
23 astounding to me.

24        Moving on. I think the proponents see this  
25 really as an opportunity to make big bucks. It's

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1 sort of like we are a crop to be harvested. They  
2 harvested the world. And now they are going to  
3 harvest working families in this country. And one of  
4 the ways of doing that is getting trillions and  
5 trillions of dollars into the stock market and  
6 churning it.

7        I think we have kind of a pension time bomb  
8 that's about to implode on us. With 50 percent of  
9 the people not having any pension, even in the

10 private pension plans of big business, many of them  
11 are not funded. They are going to come to you. They  
12 are going to come to the government. They are going  
13 do say, we're destitute. Put us on SSI or something.  
14 That's another possibility.

15       You dry up Social Security. Let's say you  
16 totally privatize it and you go bankrupt, they are  
17 going to come to the government and say we're  
18 destitute. So those that would have had Social  
19 Security as a minimal kind of a benefit, now they are  
20 going to be on SSI.

21       All of these 401Ks have been severely  
22 damaged. I'm kind of a war baby. I'm the last  
23 generation of decent benefits. I'm a public  
24 employee. In the County of Los Angeles there's A, B,  
25 C, D and E. I'm an A. The people now are getting D

1 and E. Some who are getting D have to work about

2 eight years longer to get what I have. E is totally  
3 empty.

4 And that I think that's true for the private  
5 sector. They have cashed out people. They have put  
6 them in 401Ks and they have downsized and them,  
7 transferred out, cashed out, paid penalties. So I  
8 think we're in deep, deep, deep trouble.

9 I have no confidence in the economic team of  
10 the president to solve our problems right now  
11 economically. And the market shows it. He went on  
12 television and said that everything is okay and  
13 people didn't believe him. Today Charles Schwab is  
14 laying off thousands of people because not enough  
15 people want to invest in the stock market.

16 I have something for the members of Congress  
17 here. This is the -- it's not totally accurate.  
18 It's a greedy bunch. They bought. They sold. Some  
19 of America's most famous people. It's really more  
20 like about \$100 billion of insider trading, but it's  
21 just unbelievable the names on this list and the  
22 amount of money they have taken from working people.  
23 I think that the stock market lost \$7 trillion since  
24 March of 2000.

25 And one of the big problems we have is we

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1 don't have a fair tax system. Everybody resents tax  
2 systems. Small business people resent it. People  
3 who to pay their taxes resent it. We have to sort of  
4 tell people that it's okay to pay their taxes.

5 The big problem with trusts, massive cuts  
6 last year that the president and the GOP gave to the  
7 one half of one percent have not stimulated this  
8 economy because they didn't need it. 65 percent of  
9 our economy is consumer spending. And consumers just  
10 didn't get it. \$300 wasn't going to make a big  
11 difference.

12 I think the same problems that we're facing  
13 with Social Security we're facing with Medicare.  
14 Right now Medicare is not paying doctors enough. And  
15 the GOP is saying, you see, it doesn't work. We need  
16 to privatize Medicare. So I think we can't let this

17 go no matter what. If they get their foot in the  
18 door, it's going to be the whole body. Thank you.

19 MR. BECERRA: Thank you, Mr. Schaffer. Let  
20 me now turn to questions by my colleagues. And we've  
21 all agreed to limit our questions so we have can  
22 observe some time for audience participation and  
23 comments. Mr. Matsui first.

24 MR. MATSUI: Thank you. And I'm going to be  
25 very brief because of the three-minute limitation

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1 here. I want to make a few points.

2 We've been talking about women and  
3 minorities. One of the reasons is the president, in  
4 his commission he focused on trying to convince women  
5 and minorities that the privatization plan was good.  
6 We all know it's not good.

7 In fact, all of the businesses testifying  
8 about how bad it would be particularly for women and

9 minorities, but would also do major harm to the  
10 average worker in the work force, whether the person  
11 be a woman or minority or a white male would be  
12 damaged by this.

13       As we all know, first of all, Social Security  
14 is a pay-as-you-go system. If you take money out,  
15 that means there's going to be immediate cuts in  
16 benefits for those people who are currently receiving  
17 benefits, whether it is a minority, a woman or a  
18 white male.

19       And secondly, with the risk of the markets,  
20 one must assume that over 75 years the market might  
21 do better than government bonds, but it depends on  
22 when you retire. For example, if you retired today,  
23 you would probably find yourself in deep trouble if,  
24 in fact, you had an equity as your investment instead  
25 of the Social Security system and your payroll taxes.



1       Secondly, let me just mention that  
2 Secretary O'Neil did say today, as I mentioned  
3 earlier, that the president will bring up Social  
4 Security next year to vote on it in terms of an  
5 reform of the system, a meeting of privatization.

6       They don't want to bring it up now. And  
7 we've had a lot of debate over this in Washington,  
8 D.C., because they know that it would harm them in  
9 the November 2002 election.

10       In fact, we have information from much of the  
11 Republican consultants who have been advising the  
12 Republican house in particular that they should not  
13 talk about this issue until after the election.  
14 That's why the president dropped it from the debate.  
15 And all of us need now to debate this issue now so we  
16 know where people stand, because elections are issues  
17 of values, what a person's position is on various  
18 issues.

19       Let me conclude by making one other  
20 observation. I don't want to single any group out.  
21 But the Older Women's League asked me, the National  
22 Committee for Social Security and ARC have all been  
23 very active in this issue. The one group that

24 hasn't, and I don't want to single out Ms. Morton  
25 here because you came all of the way from Washington,

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1 D.C., and I know many of you from AARP are here in  
2 the audience. And I hope you will take this in all  
3 sincerity from my part. But AARP cannot have it both  
4 ways.

5 I know there's a desire to have access to  
6 this White House and to have access to the Republican  
7 House and even in the important testimony she said,  
8 "We all favor private accounts." That's not in  
9 dispute. But what it does is obscure the issue.  
10 Everybody favors investment in the market with excess  
11 money you might have.

12 The issue is really do you want to privatize  
13 Social Security. And I really believe that AARP,  
14 because it's such a legitimate, strong organization  
15 with a broad membership, has to participate in this

16 debates, otherwise we're either going to privatize  
17 Social Security or not solve this problem. Because  
18 unless we go in and being negotiating, it's got to be  
19 on a bipartisan basis. If it's partisan, it won't  
20 work. And if the president will continue to insist  
21 upon privatizing Social Security, we can't start  
22 negotiating how we're going to solve this problem for  
23 all Americans in the future.

24       So it's my hope that AARP will stand up to  
25 the plate like the other groups have and really

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1 participate. They have to take a position on the  
2 president's commission. They have to tell us whether  
3 or not they support the Shaws Bill, which is a  
4 privatization plan. He's a chairman of the Ways and  
5 Means Social Security Subcommittee. They have to  
6 tell me whether or not they support the plan that  
7 Mr. Army had, which is another privatization plan.

8 MS. MORTON: Mr. Matsui, I would like to  
9 respond if I might for a minute. One of the reasons  
10 why I'm here is we do want to make the discussion  
11 about Social Security. We want to broaden it. In  
12 our September bulletin we will have a column about  
13 Social Security. We are very strong in our  
14 opposition to the president's commission. We issued  
15 a series of press releases and a column in our  
16 bulletin. And what we expressed our concern about at  
17 that in point in time was the fact that it was a  
18 reduction in defined benefits and it weakened the  
19 promise that Social Security provides.

20 I think it's very important to recognize that  
21 while all of us in this room are very concerned about  
22 the future of Social Security, the real debate has to  
23 take place in the homes of the American people.  
24 Because ultimately it's today's workers not today's  
25 retirees who are going to be the ones who are going

1 to have the major responsibility in dealing with

2 Social Security's future.

3 When we talk about the importance of

4 retirement accounts, we do so because we like to look

5 at -- we like to look at retirement security as being

6 composed of four components. The very basic defines

7 benefits promised and guaranteed on the foundation

8 that Social Security cannot be undermined.

9 We are very specific in our opposition to any

10 plan that would weaken that guarantee. This is a

11 process that requires a lot of thought and not a lot

12 of sound bites and includes time and investment of

13 all of our energies in the solution.

14 MR. MATSUI: I appreciate your comments. And

15 I will take that in good faith as you've presented it

16 to us. It's just my hope that while you are debating

17 this, a decision isn't made, and we pass a bill that

18 would privatize Social Security. And I think that's

19 a very distinct the possibility in the spring or

20 summer of 2003. And you can still be debating in

21 your homes and not really play a role in this. And

22 that's why it's critical that you step up to the

23 plate now.

24 MS. MORTON: I think we do understand that.

25 And we are very seriously looking at ways to wrap

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1 that up.

2 MR. BECERRA: Mr. Sherman.

3 MR. SHERMAN: Thank you. Time is short, but

4 this is just the beginning or a continuation of the

5 discussion, a continuation of the discussion that

6 began long ago. And we'll all be in touch with all

7 of you to get more ideas in the future. I want to

8 thank Ms. Morton for taking a clear stand now which

9 would echo Mr. Matsui's comments that we need to hear

10 AARP with a deafening roar that AARP is capable of.

11 We all look forward to the around-the-world

12 cruises in our retirement years. Franklin Delano

13 Roosevelt's Social Security isn't going to get us on

14 that luxury cruise. And that's why we have Social

15 Security that is the basic retirement. And then  
16 hopefully, if possible, you have 401Ks, IRAs, regular  
17 savings the other legs of that stool.

18 And what they are trying to do is sell the  
19 idea that if you just let us privatize Social  
20 Security, you don't have to save any money, you don't  
21 have to have a pension and we'll put you on the  
22 cruise. And that's a one-way cruise to the  
23 impoverishment that seniors had often faced before  
24 Social Security.

25 I would hope that AARP would join with us in

1 demanding a vote in September on privatizing Social  
2 Security. It is the destruction of democracy to have  
3 an election with everybody hiding what their position  
4 is on this issue. And if AARP demands it, we'll get  
5 the discharge petition. And we'll have everyone in  
6 America know where their member of Congress stands on

7 privatization.

8 I want to thank the representative from ARC  
9 for illustrating how Social Security does so much for  
10 us not only in terms of retirement, but also even if  
11 you never draw a penny of this, the fact that it's  
12 there provides peace of mind. And that is perhaps  
13 the best unstated benefit of Social Security.

14 It is that every day I can go to sleep  
15 knowing that if I die before my time, my family is  
16 taken care of. I don't intend to. And I will divide  
17 that benefit even if no checks is ever issued.  
18 Likewise if I'm disabled or my children are disabled.

19 Finally, I want to thank Max for quantifying  
20 what this all about. If I understood you correctly,  
21 it's a 17 percent cut in benefits for anybody who  
22 doesn't want to play the market. But they will hide  
23 that cut by telling you, oh, you should have taken  
24 the risk. You shouldn't have put your private  
25 account in U.S. savings bonds. You should have



1 picked the right stock. And that way we'll have  
2 100 million accounts, \$10,000 in accounts, a cubicle  
3 for every accountant.

4 If in their wildest dreams Wall Street can  
5 get one percent per month through churning those  
6 accounts, that's \$100 billion a year for Wall Street  
7 and right out of the savings available for  
8 retirement. We see where the power behind this is  
9 coming from. Thank you.

10 MR. BECERRA: Mr. Millender McDonald.

11 MS. McDONALD: Thank you, Mr. Chairman. We  
12 have no time for editorializing. I can see that. So  
13 we're going to have to go right into the issue. I  
14 would like to associate myself with what our ranking  
15 member, Mr. Matsui, said just a moment ago. We can  
16 ill afford to skirt around this and wait for next  
17 year. We must bite the bullet this year and face the  
18 music.

19 And today if we aren't addressing the reality  
20 of women as it applies to Social Security, then I'm  
21 going to throw it out to the women who are on the

22 panel. I know about the gentlemen. I know where you  
23 stand. I think I know where you are. So I'm going  
24 to have to just ignore you for a moment and go to the  
25 women. That's the way it goes in Congress.

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1 But if reform is going to look like whatever,  
2 and that whatever is what I want you to fill in the  
3 blank for, Ms. Estes. If we're going to ask persons  
4 to save and invest, given the fact that 18 percent is  
5 received from private pensions, especially from  
6 women, and 90 percent reliability for Social Security  
7 set for women are relying upon, then how can the  
8 minority women invest when they are already at a  
9 deficit being poor? And if in fact this  
10 privatization comes about, they will become poorer.  
11 Save your answer.  
12 Ms. Morton, you're right. The debate must  
13 leave Washington. It must be in the homes, but we

14 must have factual information. I'm happy to know  
15 that you are going to, when we return back in  
16 September, denounce any form of privatization from  
17 the lock box that has been unlocked. But to make  
18 sure that AARP go on board, goes on board denouncing  
19 any of this as it relates to women.

20 Now, you say that we have not missed a day in  
21 paying for the dollars for Social Security benefits  
22 or beneficiaries. The question is how much dollars,  
23 how many dollars are we talking about given that  
24 again women come in from a deficit as we know it. So  
25 a benefit reductions and revenue increase in my

1 estimation, how does reform take place with women  
2 given that women already have lower benefits from the  
3 outset?

4 Secondly, the third for Ms. Napoliello, I  
5 guess, whatever. When you spoke about 730,000

6 disabled adult children are covered and these are  
7 non-retirees, what are we talking about in terms of  
8 preserving the whole notion of those entitlements and  
9 guaranteeing benefits and coverage for this multiple  
10 beneficiary across generations? What would reform  
11 look like? Ladies, please.

12 MR. BECERRA: And you have less than a minute  
13 to answer.

14 MS. McDONALD: And I didn't do any  
15 editorializing.

16 MS. ESTES: In terms of what we're going to  
17 do when we have women in a privatized program who  
18 only have private pensions, only 18 percent of them  
19 have them. If you look at what they have in them,  
20 they have close to \$2,000 a year in those pensions as  
21 opposed \$5,500 a year for men, so less than 20  
22 percent of them have them. They don't have much  
23 income in them. And then you start looking at the  
24 other leg of the stool other than Social Security,  
25 and that's the assets of savings. And only 25

1 percent of black women have any form of assets

2 whatsoever and 33 percent of Hispanic older women.

3 MS. McDONALD: They don't have the money for  
4 savings?

5 MS. ESTES: Right. There is no money to  
6 invest. And their wages and earned benefits are such  
7 that they are not going to be able to invest. So  
8 women are going to be left high and dry. And it's  
9 trading a gamble for what is a guaranteed benefit  
10 which is absolutely essential.

11 MS. McDONALD: Ms. Morton.

12 MS. MORTON: There are many issues that face  
13 women both as workers and as beneficiaries. And  
14 there are a whole range of things that can be done  
15 from the very modest to the very large. Hearings  
16 have been held in Congress on this.

17 I think that as we look towards what we need  
18 to do with Social Security in the future, this is the  
19 opportunity that we need to look at a number of the  
20 issues. Caregiving has been raised. The plight of

21 older women in poverty, particularly once they are  
22 over the age of 85.

23       These are the places where as we look at what  
24 needs to be done to strengthen Social Security as a  
25 program, we can then look at what needs to be done to

1 strengthen Social Security support for women and in  
2 many case for minorities well. So this is the  
3 opportunity. But a lot of the change that people are  
4 talking about may affect people who have retired in  
5 the past and who will not see any benefit from some  
6 of the changes. We need to know what today's working  
7 women look like so we can design a program that is  
8 helpful to them as workers and as beneficiaries.

9       MS. McDONALD: Ms. Martin, given the fact  
10 that you are going to denounce privatization, I would  
11 like to ask you let me know so that women can stand  
12 with you when you make that statement.

13 MS. MORTON: What I said was that our  
14 September column will include an article about Social  
15 Security. I want to clarify that it will again  
16 reemphasize the dangers of individual accounts carved  
17 out of Social Security.

18 MS. McDONALD: May I take that statement and  
19 present it on the floor for receipt?

20 MS. MORTON: You are welcome to use the  
21 September column.

22 MR. BECERRA: I would love to ask a series of  
23 questions of all of you. I thank you so much for  
24 your testimony. It's so important to have. But I  
25 want to be respectful of the audience members who

1 have come. We have any number of questions that have  
2 been asked. And we're very short on time. So I'm go  
3 to withhold my questions as much as I would like and  
4 conclude my remarks by just or my portion of the time

5 by just saying thank you to the five of you for

6 having provided this important testimony.

7 I want to especially thank Ms. Napoliello and

8 also Ms. Estes, because too often we forget that the

9 need for Social Security really affects more than

10 just those who are retired, but those who are

11 mentally disabled or those who is a survivor is

12 someone who qualifies for Social Security. Thank you

13 so much for your testimony.

14 I invite you to stay at the witness table.

15 And what I'd like to do is that most of the questions

16 that the audience have provided are questions that

17 are specific to a particular or personal case.

18 Let me at this point announce to you and

19 advise you that we actually had asked and we're very

20 fortunate to get a positive response from the Social

21 Security Administration to have some of their

22 caseworkers available.

23 So outside of this hearing room, there's two

24 individuals, Ms. Yolanda Rangel and Ms. Mary Ann

25 Gutenberg, who are outside to take any questions that



1 you might have about your specific Social Security  
2 case or issues about your Social Security benefits.

3 In addition, I should mention that my staff  
4 is available as well to answer any questions you  
5 might have. Alica Mendoza from my office, who is one  
6 of my caseworkers, can also take questions you might  
7 have especially for those workers. Certainly those  
8 who have questions, we'll try answer them to the best  
9 of our ability.

10 Let me also make it clear to you that this  
11 hearing, this forum, has been taped by Channel 36,  
12 the Los Angeles Public Broadcasting Channel and will  
13 be available for airing tonight at 9:00 p.m.,  
14 Thursday at 9:00 a.m., and this coming Sunday at  
15 noon. So for those who are interested in viewing  
16 again some of the testimony, you'll have to  
17 opportunity.

18 Finally, let me just say that for those of  
19 you who are interested in learning more about the

20 testimony of those who provided their expert  
21 information, you can turn to my Web site where we  
22 will post the testimony of the witnesses that's in  
23 writing at [www.house.gov/Becerra](http://www.house.gov/Becerra). If you need that  
24 information again, you can ask my staff who will be  
25 standing outside of this door.

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1 Let me conclude there with the announcements  
2 and ask the public if they are interested. Rather  
3 than me trying to read only's select number of these  
4 questions, and they are very good questions, to  
5 invite you to come to the microphone and pose a  
6 question either to our panelists who are still here  
7 or to the members of Congress.

8 We have to be out of here in ten minutes, so  
9 we can take just a few questions. But perhaps those  
10 of you who a burning desire to either make a make a  
11 comment or ask a question would be willing to come

12 forward, I ask you for one thing, courtesy to those  
13 who are here. And in that case, please be brief and  
14 also recognize out time constraints.

15 MS. McDONALD: While we wait, the questions  
16 that you have will be answered.

17 MR. BECERRA: What we can try to do is we  
18 have names, but we don't have an address. Let me  
19 suggest this. For those of you who wrote a question,  
20 if you would like us to respond to you to follow up,  
21 please make sure you contact our offices, because it  
22 is difficult otherwise for us to be able to respond  
23 to all of these questions since we only have a name  
24 and no contact number. So please contact our office  
25 and we'll try to respond specifically to your

1 question.

2 CITIZEN SPEAKER: It may surprise you to  
3 learn that I as a conservative have not made up my

4 mind on the issue of privatization as of yet. And  
5 I'm very disappointed in this panel. And this forum  
6 did not help me in making any discussion.

7 I thought this was extremely lopsided against  
8 privatization. I don't see why there weren't people  
9 here to say why they were for it and for there to be  
10 an exchange of views among the experts, so that we  
11 can find out where the truth is.

12 My view is that very few people are really  
13 interested in truth. They are interested in the  
14 truth as long as it coincides with their personal  
15 viewpoint. When it differentiates from that, they  
16 are not longer interested in it. I did like the fact  
17 that Dr. Torres-Gil called for economic --

18 MS. McDONALD: What's the question?

19 CITIZEN SPEAKER: The question is why weren't  
20 people invited who would have had an opposing point  
21 of view and given an opportunity to have  
22 cross-challenges from the experts and let the public  
23 step in there and ask their questions as well.

24 MR. BECERRA: Excellent question. Let me  
25 respond to the question. We did invite members who

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1 had opposing views. In fact, I invited every single  
2 member of the Los Angeles County delegation which  
3 includes Republicans and Democrats who serve on this  
4 side. I invited members of the President's  
5 Commission on Social Security to attend. They all  
6 declined.

7 And we invited individuals from the Kato and  
8 Heritage Foundations, all of those institutions that  
9 supported privatization of Social Security. And they  
10 all declined as well. We sent the invitation to many  
11 people. Those who accepted are here sitting before  
12 you. So the fact that it is not perhaps according to  
13 the views of a particular individuals is not a  
14 response by this individual or my colleagues. It's a  
15 fact that others did not respond. And if we could  
16 move on.

17 CITIZEN SPEAKER: Shame on them for not  
18 showing up. And I will call them, believe me.

19 MR. BECERRA: Thank you. The next question  
20 or comment briefly.

21 CITIZEN SPEAKER: My name is (inaudible).  
22 Thank you for your explanation of what happened. I'm  
23 against privatization. But I'm going to be -- going  
24 to talk from the prejudice point of view on the other  
25 side.

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1 MR. BECERRA: Very briefly. You have many  
2 people behind you.

3 CITIZEN SPEAKER: I'm going to ask the  
4 question. Why does Social Security make less than  
5 two percent on our Social Security money when the  
6 federal government will pay seven percent on  
7 government bonds to foreign investors? Why can't  
8 Social Security get a higher interest rate on their  
9 earnings, and then that money can be passed onto  
10 Social Security? What's the problem?

11 MR. BECERRA: Would anyone on the panel like  
12 to respond. I'll ask my informed colleagues if they  
13 would like to respond.

14 MR. MATSUI: I'll be very brief. Social  
15 Security does provide a return on government bonds.  
16 And the reason we use government bonds is because  
17 it's the safest form of investment that the Social  
18 Security system could possibly have. One could  
19 suggest that you invest in the stock market. But as  
20 you know, that entails risk.

21 In over a 75-year period we have calculated  
22 that the equity markets do better than government  
23 bonds. But the risk has evolved obviously. And it  
24 depends upon when you retire. Whereas with Social  
25 Security, it's a defined benefit that everyone will

1 get because it's like a system in which it's based  
2 upon everyone being treated equally.

3 MR. SCHAFFER: I think it's very important  
4 that we don't get stuck in a debate that is about  
5 what you get back as opposed to what you put in.  
6 Because the real debate is about what Social Security  
7 is. It's an insurance program. FICA is a federal  
8 insurance contribution act. It's not a federal  
9 investment act. We need to make sure people really  
10 understand the value of the program. It's not about  
11 the rate of return.

12 MR. BECERRA: We have time for perhaps one or  
13 two more questions.

14 MR. SHERMAN: That two percent is a misnomer.  
15 The trustees are making well more than two percent.  
16 The argument is that today's retiree or rather  
17 today's worker is only going to get two percent out.  
18 And that's because today's worker is subsidizing his  
19 or her grandparents. Today's worker is covering  
20 themselves in case there's a disability. Today's  
21 working is taking care of their surviving spouse. So  
22 yes, if I didn't care about my grandparents and I  
23 didn't care about disability and I put the money in  
24 something else, I could get more than two percent.

25 MR. BECERRA: The next person.



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1 CITIZEN SPEAKER: To Representatives Robert  
2 Matsui and Juanita Millender McDonald, will you  
3 support repeal of the WEP provision when Congress  
4 addresses the Social Security reform in winter?

5 MR. MATSUI: You are talking about the WEP  
6 and the government pension offset. I know those two  
7 issues. In fact, we believe that we'll be able to  
8 address both of those issues in the context of Social  
9 Security reform. We probably cannot address it by  
10 itself, those two issues, because certainly it would  
11 mean a diminution in the value of the Social Security  
12 trust fund.

13 There's a wide variety of issues, for  
14 example, we have the issue of the widow's benefits  
15 that was raised earlier. You have the WEP. You have  
16 you have the EGO issue. You have all of these issues  
17 out there and all of them are legitimate. And what

18 we want to do try to address this in the context of a  
19 reform package. And if, in fact, it looks like  
20 reform is a few years off, and I hope it isn't, then  
21 we may have to address it. And we'll try address it  
22 comprehensively with a number of different issues  
23 that had have to be addresses.

24 MS. McDONALD: It's best done in the  
25 aggregate as opposed to individually. I don't want

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1 to take a lot of time because we have more questions.

2 MR. BECERRA: The next person. Your name.

3 CITIZEN SPEAKER: I thank Congressman

4 Becerra. You did answer the question. My question

5 was what happened to the status of the Social

6 Security offset? And I do believe you just mentioned

7 that one.

8 MR. BECERRA: Thank you very much. Give your

9 us name, please. Next.

10 CITIZEN SPEAKER: My name was Sylvia

11 Cunningham.

12 MR. BECERRA: Thank you, Mrs. Cunningham for

13 the question. Your name, please.

14 CITIZEN SPEAKER: My name is Gladys Wall.

15 And I am a senior citizen advisory commissioner in

16 the city of Carson. Thanks that my representative is

17 here. I too am addressing the government pension

18 offset bill, House Rule 1217. I'm urging the three

19 of you Congresspersons, four I should say, to support

20 that bill that has been sponsored by William L.

21 Jefferson.

22 Please do not allow them to privatize Social

23 Security because there are too many, both men and

24 women, being impacted by these various cuts. So

25 again, I urge you to support House Rule 1217 that is

2 moment. Thank you.

3 MR. BECERRA: Thank you thank you very much

4 MS. McDONALD: You are on board Gladys. I

5 am.

6 MR. BECERRA: Sure. Give us your name.

7 CITIZEN SPEAKER: Stanley Hewitt. Does

8 anybody here have an amount on what's been taken out

9 of the lock safe or safe lock box or whatever it is

10 for non-Social Security meetings, and why hasn't this

11 issue been addressed. That's a huge amount of money.

12 MR. BECERRA: Mr. Hewitt, Mr. Matsui and I

13 deal with this all of the time. It is projected that

14 as a result of the tax cut that was passed last year,

15 over the next ten years, because we have projections

16 that reach out ten years, that some \$2 trillion in

17 Social Security surplus monies will be used for

18 non-Social Security.

19 CITIZEN SPEAKER: How much up to this time?

20 MR. BECERRA: Originally every dollar that we

21 use over the next two or three years of Social

22 Security surplus money because we are now in deficit

23 in the operating side of the budget. If you were to

24 take out the Social Security money that is coming in

25 from our federal budget and make the calculation,

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1 you'd find that today we're running about a

2 \$165 million deficit.

3 So we're having to offset that with Social

4 Security funds, each and every dollar of Social

5 Security trust fund surplus money. And we still have

6 a deficit after that.

7 CITIZEN SPEAKER: Good afternoon. My name is

8 the Natalie Gonzales. I have a very brief question.

9 I'd like to find out what happened when President

10 Clinton left everything done for us old people. What

11 happened with all of that money that he had already

12 fixed and said we didn't have to worry about? Now we

13 are worrying about it because we don't know what's

14 going to happen.

15 What happened with all of the money? I have

16 nothing against President Bush. I have nothing with

17 him. But I'd like to ask you that question.

18 MS. McDONALD: Initially when President  
19 Clinton spoke about and ensured that Social Security  
20 would go through to 2035 and that everything was  
21 solvent and even beyond that, if things would stay in  
22 place and we moved in the manner by which we are  
23 normally or would be moving at the time that he put  
24 that in place, has now been prevented by the whole  
25 notion of tax cuts whereby operational day by day of

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1 keeping the federal government alive is done through  
2 taking from the Social Security's so called lock box.

3 So what has happened here is we've had to rob  
4 Peter to pay Paul; and therefore, we've not been able  
5 to keep with the steady stream that President Clinton  
6 had put into place, whereby we would have had  
7 solvency beyond 2035 and even beyond that. But it's  
8 a sure solvency through those years. We have not

9 been able to keep that steady stream because of the  
10 severe tax cuts. And now we're having to move into  
11 taking money from Social Security.

12 CITIZEN SPEAKER: People are very worried  
13 about this.

14 MR. BECERRA: We have time for one last  
15 comment or question if you can give your name.

16 CITIZEN SPEAKER: Nina Giommante. How dare  
17 Bush steal our money from our seniors, disabled,  
18 Hispanics, all of the minorities and the women  
19 without asking our permission to destroy Afganistan,  
20 to send all of our taxes and all of our money to our  
21 countries.

22 Take care of our seniors, our disabled, our  
23 poor minorities first. How dare he steal our Social  
24 Security. Please take our message. Taxes of the  
25 American people take care of the American people

1 first. And then if there's some left over from what  
2 they have been stealing, they can send it to other  
3 countries. Thank you.

4 MR. BECERRA: Thank you very much,  
5 Ms. Giomante. Before you leave, please, let me  
6 first thank my colleagues, Congressman Bob Matsui,  
7 who is the ranking member on the Democratic side on  
8 the Ways and Means Subcommittee on Social Security  
9 and a very, very important and influential member of  
10 Congress for coming all of the way down from home to  
11 be with us here in Los Angeles. And Congressmen Brad  
12 Sherman and Congresswoman Juanita Millender McDonald,  
13 thank you very much.

14 To our panelist and our first and second  
15 panel, thank you so much for being here. To our  
16 great audience and for your great questions, thank  
17 you. And to our witnesses and to our translator,  
18 Daniel Ortiz, to our stenographer, Jerrod Jones,  
19 thank you so much for that help.

20 To our friends at the Metropolitan  
21 Transportation Authority who made this room  
22 available, Juanita Valdez Yager, Susanne Handler and  
23 Mr. Daniel Calvin, the director of security who made



24 sure we were able enjoy this hearing, thank you very  
25 much. And finally to my staff who made this all

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1 possible, Mr. John Walken and Gayle Greenberg, thank  
2 you. Enjoy your day. May we preserve Social  
3 Security.

4 (The forum ended at 12:35 p.m.)

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6 I, R. JERROD JONES, a Certified Shorthand

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8       That said proceedings were taken before me at  
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10 down by me in shorthand and thereafter transcribed  
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12       I further certify that I am neither counsel  
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15       In witness whereof, I have hereunto  
16 subscribed my name.

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